

**CITY OF SOUTH ST. PAUL  
STATE OF MINNESOTA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2005**

Prepared by the Finance Department of the City of South St. Paul

James E. Carufel  
City Finance Director

Clara D. Thorne  
Assistant Finance Director

City of South St. Paul, Minnesota  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**TABLE OF CONTENTS**  
For the Year Ended December 31, 2005

---

	<u>Page (s)</u>
<b>Introductory Section</b>	
Letter of Transmittal	1 - 5
GFOA Certificate of Achievement	6
Organization Chart	7
Principal City Officials	8
<b>Financial Section</b>	
Independent Auditor's Report	9 - 10
Management's Discussion and Analysis	11 - 23
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	25
Statement of Activities	26 - 27
Fund Financial Statements	
Balance Sheet - Governmental Funds	28 - 29
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	30 - 31
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	32
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	33 - 36
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Airport	37
Statement of Net Assets - Proprietary Funds	38
Statement of Revenues, Expenditures and Changes in Fund Net Assets - Proprietary Funds	39
Statement of Cash Flows - Proprietary Funds	40
Statement of Net Assets - Fiduciary Funds	41
Notes to Financial Statements	43 - 71
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	74 - 83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	84 - 91
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Library	92
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Wakota Arena	93
Combining Balance Sheet and Combining Statement of Changes in Assets and Liabilities - Fiduciary Funds	94

City of South St. Paul, Minnesota  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**TABLE OF CONTENTS**  
For the Year Ended December 31, 2005

---

	<u>Page (s)</u>
Supplementary Financial Data	
Schedule of Cash and Investments	97
Combined Schedule of Indebtedness	98 - 99
Schedule of Debt Service Payments to Maturity	100 - 105
Schedule of Deferred Tax Levies - Debt Service Funds	106
 <b>Statistical Section</b>  	
General Governmental Expenditures and Transfers by Function	108
General Governmental Revenues and Transfers	109
Property Tax Levies and Collections	110
Assessed Tax Capacity Value and Estimated Market Value of Taxable Property	111
Property Tax Rates - Direct and All Overlapping Governments	112
Special Assessment Levies and Collections: Debt Service Funds	113
Ratio of Net Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	114
Computation of Direct and Overlapping Debt Including Debt Ratios	115
Computation of Legal Debt Margin	116
Ratio of Annual Debt Service Expenditures for General Obligation	
Bonded Debt to General Expenditures	117
Principal Taxpayers	118
Insurance in Force	119
Construction Permits and Property Values	120
Demographic and Miscellaneous Statistics	121

City of South St. Paul, Minnesota

December 31, 2005

---

**This page intentionally left blank.**

# **INTRODUCTORY SECTION**





June 19, 2006

**To the Honorable Mayor, Members of the City Council,  
and Citizens of the City of South St. Paul, Minnesota**

Minnesota Statutes require all cities to issue an annual financial report prepared in accordance with generally accepted accounting principles (GAAP). The statutes also require an annual audit of city financial statements by an independent, licensed certified public accountant and submission of the audited financial statements to the Office of the State Auditor within 180 days after the close of the fiscal year. The City has complied with these requirements. The Finance Department of the City of South St. Paul is pleased to submit herewith the Comprehensive Annual Financial Report (CAFR) for the year ended December 31, 2005.

The report is published to provide all interested parties with detailed information concerning the financial condition and activities of the City of South St. Paul. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. In developing the City's accounting system, consideration is given to the adequacy of internal accounting controls to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability of assets. The extent of elements of the internal control system require the evaluation of cost and related benefits. Internal control evaluations occur within this decision making framework for the purpose of adequately safeguarding assets and providing reasonable assurance as to proper recording of financial transactions. To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and it is organized in a manner designed to fairly present the financial position and results of operations of the City of South St. Paul. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The City of South St. Paul's financial statements have been audited by Eide Bailly LLP, a firm of certified public accountants. Pursuant to generally accepted auditing standards, the independent audit involved examining, on a test basis, evidence supporting financial statement amounts and disclosures. The examination also assessed accounting principles utilized by the City and overall financial statement presentation. The City of South St. Paul's financial statements for the fiscal year ended December 31, 2005 have received an unqualified opinion from the independent auditor that they are presented in conformity with GAAP. The auditor's report which includes a description of the scope of the audit is presented as the first item of the financial section of this report.

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis.

This letter of transmittal is designed to complement the Management's Discussion and Analysis and should be read as part of it. The City's MD&A can be found immediately following the report of the independent auditors.

### **Profile of the Government**

The City of South St. Paul, located in the Twin Cities Metropolitan Area, was organized as a municipality in 1887 and comprises six square miles. The City operates under a home rule charter form of government consisting of a Mayor and a six-member City Council who are elected at-large for staggered four-year terms. The City Council enacts ordinances, determines policies, adopts the annual budget, and is responsible for all significant financial affairs of the City including the issuance of bonds and hiring of all regular employees who are responsible for the day-to-day operation of the City. The Comprehensive Annual Financial Report includes all organizations, funds, and activities for which the City is financially accountable as defined by the Governmental Accounting Standards Board. Based on these criteria, there are no other organizations or component units included in the Comprehensive Annual Financial Report.

City services include police, fire protection [full-time], parks and recreation [14 parks spread over 287 acres], Wakota Arena [a two-rink indoor facility seating over 1,200 people], public works [street, water and sewer services], building permits, inspections and administrative support services. There are two services provided by the City which are quite unique among most cities in the area. First, the City owns and operates a modest sized airport with 305 resident aircraft, 62,000 annual landings, and 80 leased hangar and industrial sites supporting over 150 on-site jobs. Second, whereas Dakota County operates all other libraries throughout the county, the City owns and operates its own library and the county ad valorem tax levy is less in the City of South St. Paul than in other Dakota County cities to recognize this situation. The service area of local School District No. 6 [K-12] parallels that of the City making joint efforts between these governmental units much easier than if multiple districts were involved.

### **Financial: Accounting, Budgets, Internal Control**

The City's accounting system is organized on a fund basis with detailed individual general ledger accounts for assets, liabilities, revenues, expenses and fund balances and equities. Each fund is a distinct, self-balancing accounting entity. The basic financial statements, which include governmental, proprietary and fiduciary funds, and the government-wide financial statements, consisting of the Statement of Net Assets and the Statement of Activities, have all been prepared and are presented in conformance with GAAP.

Budgetary control is maintained to ensure compliance with legally adopted provisions embodied in appropriations contained in the annual budget approved by the City Council for Governmental Funds. Annual Budgets are adopted for the General Fund and certain Special Revenue Funds after a six-month process of Council review of departmental estimates and requests and a number of public meetings culminating in final budget approval in December. Actual to budget comparative statements for selected budgeted funds are presented in the appropriate financial section.

Legally, expenditures are controlled at the departmental level. However, day-to-day administration of the budget is in accordance with the official "Budget Administration Plan."

The policy paper includes a detailed description of the complementary responsibilities of staff and Council. Through this document, additional controls are put on overall departmental expenditures as well as certain line items such as capital outlay. Unused budgetary appropriations lapse at year-end. The purchase order system and approval of invoices is at the department level. Finance Department staff review claims for accuracy and budgetary/policy compliance before they are submitted to Council for approval. Line item budget reports are prepared monthly and reviewed by each department. They are then summarized by the Finance Department and presented along with a narrative to the City Council each month.

Council can approve budgetary changes during the year through the approval of a motion related to the monthly budget report or as a separate agenda item. In addition to the annual budget, the City Council approves financial plans for proprietary funds and projects. Each of the projects is assigned a unique accounting project number and is reviewed during and at project end by the project manager and the Finance Department. The CIP is a separate Capital Project Fund and each capital item therein is approved, controlled and reported on individually. Debt service financial control is pursuant to bond covenants and Council resolutions.

### **Economic Conditions and Economic Outlook**

Local economic conditions can add perspective to understanding the financial statements. The City of South St. Paul is situated in Dakota County adjacent to and south of the capitol city of St. Paul. With diversified commercial and industrial development lining the waterfront, the Mississippi River forms the eastern border of the City. The river bluff is about a half mile west and marks the beginning of the balance of the City's land area (about 80%) which is primarily residential and fully developed. The single family housing stock is quite uniform in value and very affordable for new families. Multiple dwelling units are typically modest in size with reasonable rents. The City has a stable population of twenty thousand people and has rebounded from the seventies when what was one of the largest meat-packing centers in the nation went under resulting in a loss of 20% of the population. Property values, which had seen little growth into the nineties have been revitalized with average residential market values rising at over 8% per year since 1996. The City's general economic environment parallels that of the Twin Cities Metropolitan Area which has one of the most stable and diversified economic bases of any major U. S. city. The Metro Area is the fastest growing city in the frost belt and seldom loses its number one ranking for having the lowest unemployment rate of any major population center. A well educated labor market joins together with a diversity of industries to make the area nearly recession proof. The regional infrastructure is vibrant and regional services including mass transit, planning, airports and sewer treatment the responsibility of the Metropolitan Council.

Based on history, the economy of the Metropolitan Twin Cities Area should be stable well into the future. The resilient nature of the diverse economic make-up resists large downturns. Both unemployment and inflation are expected to remain low with a continuation of strong construction activity. The City expects that annual building permit values will remain strong (\$20,000,000 range) and that the "Rediscover South St. Paul" which provides sites for new homes will continue and grow in the future.

Internally, the future outlook of the City is bright with a stable and well-trained work force operating within a financial umbrella which has had growing general reserves and stable finances. Reductions by the State Legislature effecting 2003 (retroactively), 2004 and 2005 in

the level of state support were met primarily by reductions in budgeted expenditures with only a minimal property tax increase enacted. Future State Aid reductions are expected to be only a small percentage of what has already occurred.

The pay-as-you go Capital Improvement Program (“CIP”) focused primarily on street projects in 2005. A public hearing was held in December to present plans and secure feedback on a major renovation and addition project for the fifty-year old city hall building. The project cost estimate is \$7.8 million with about half of the cost to be paid by the CIP and half being covered by bonding. It is likely that this will be the largest single project in City history. When construction bids are accepted, the City staff (except the Fire Department) will be moving to leased office space about a mile from city hall. Construction is expected to take about one year.

The number one opportunity for the City and possibly private development is an undeveloped 90 acre site (Port Crosby) of recreational property with over a mile of river frontage acquired by the City a few years ago. In late 2003, the site was made accessible by motor vehicles with the completion of a state-aid funded, \$1.8 million bridge. In 2005, the State approved a \$2,500,000 grant to the City to aid in the development of the site. The Airport constructed a 20-aircraft “T-Hangar” which will provide lease income for airport operations. 2005 was a major year for vehicle replacement purchases. Ten vehicles were replaced at a cost of \$620,000.

The City is an active participant with the County, local School District and other neighboring cities to effectuate collaborative arrangements to reduce the cost of services while maintaining or improving quality. Six miles of the regional Dakota County Trail system winds its way through City property and a school-city joint powers agreement governs the City operation of the Central Square Community Center. An agreement was reached in 2005 with a neighboring city to merge full-time fire departments and operational plans are underway. These are all positive signs for future financial efficiencies through multi-government cooperative efforts.

### **Cash Management**

Cash balances are invested in accordance with Minnesota State Statutes and the City’s formal investment policy which further restricts the types and length of investment maturities. Following the statutes and investment guidelines assures that utmost attention is paid to the preservation of principle. The second investment priority is to keep all available balances fully invested in a combination of prime grade commercial paper, U. S. Treasury and U. S. Agency obligations, mutual and money market funds consisting of insured and collateralized demand deposits and certificates of deposits and prime grade commercial paper.

The City utilizes a “pooled” investment fund approach whereby all investment transactions are recorded in a single fund during the year. At year-end, investments are allocated to those funds proportionate to their ending cash balances. Because of the relationship between certain funds, investment income/expense is allocated to a single recipient fund (see Note 1 E). Investment earnings are allocated at year-end based on average monthly cash balances. Funds with negative balances are charged interest based on the overall investment earnings yield for the year. Governmental Accounting Standards Board (GASB) Statement No. 31 requires that investments be reported at “fair value” (year-end market value). The City regularly invests in U. S. Agency obligations with maturities of two or more years. Because these obligations pay a fixed rate of interest each year, the earnings for the entire period will be that fixed rate.

Under GASB Statement No. 31, the reported return for a single year requires that interest earnings be adjusted based on the market value at the end of the year. It is this mix of interest earnings and market adjustments which is included as "investment earnings" in the CAFR. These year-end market adjustments will cancel each other out over the life of the a long-term investments held to maturity. The supplementary section of this report includes a schedule of investments as of December 31, 2005.

### **Risk Management**

The City is covered by workers' compensation, property and liability insurance written by the League of Minnesota Cities Insurance Trust (LMCIT). Insurance values on all fixed assets are compiled and kept up to date as part of the comprehensive inventory. LMCIT provides liability coverage sufficient to cover the legal limit of a city's liability which is established by the State of Minnesota. The City has selected modest co-insurance limits (deductibles) including \$5,000 on liability coverage; \$10,000 on property losses; and \$2,500 on worker's compensation claims.

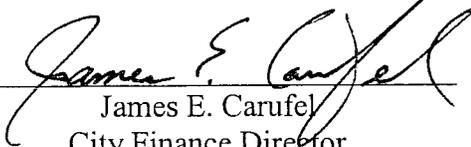
### **Awards and Acknowledgments**

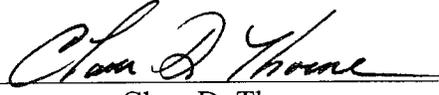
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of South St. Paul for its comprehensive annual financial report for the year ended December 31, 2004. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report was made possible by the dedicated members of the Finance Department. We express our appreciation to the members of the City Council for their confidence and support and their efforts in conducting the overall financial planning and operations of the City.

Respectfully submitted,

  
James E. Carufel  
City Finance Director

  
Clara D. Thorne  
Assistant Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of South St. Paul,  
Minnesota

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

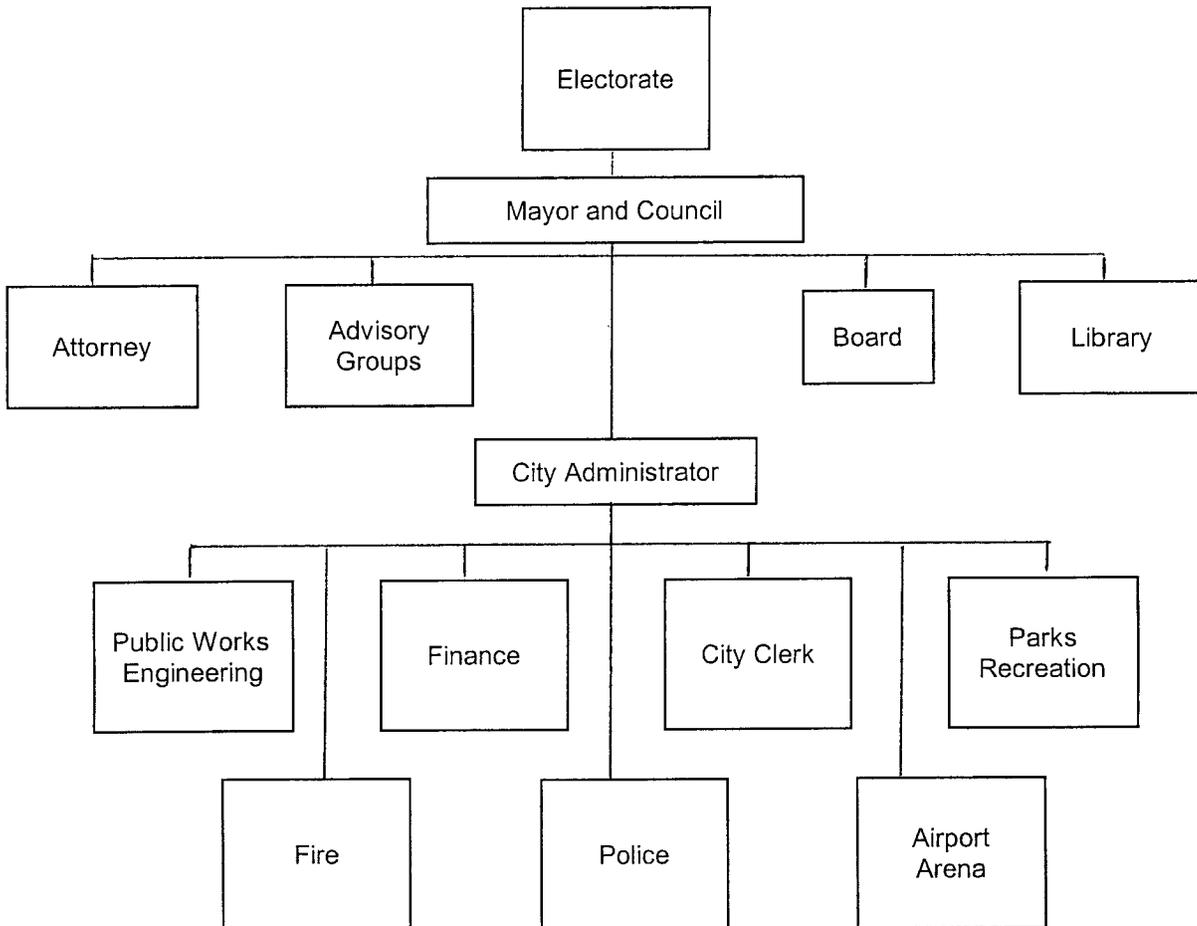


*Carla E. Perry*

President

*Jeffrey R. Enen*

Executive Director



---

**Elected Officials**

---

		<u>Term Expires</u>
Mayor	Beth A. Baumann	Jan. 1, 2009
Councilmembers	Lori Hansen	Jan. 1, 2009
	Christopher J. Lehmann	Jan. 1, 2009
	Dan Niederkorn	Jan. 1, 2009
	Norm Nistler	Jan. 1, 2007
	Tom Seaberg	Jan. 1, 2007
	David A. Vujovich	Jan. 1, 2007

---

**Appointed**

---

City Administrator	Stephen P. King
City Finance Director	James E. Carufel
City Engineer	John M. Sachi
Police Chief	Michael J. Messerich
City Clerk	Christy M. Wilcox
Library Director	Jane A. Kroschel
Director Revenue Facilities	Glenn C. Burke

# **FINANCIAL SECTION**





CPA & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

---

To the Honorable Mayor and  
Members of the City Council  
City of South St. Paul, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of South St. Paul, Minnesota** (the City), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the **City of South St. Paul, Minnesota**, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and Airport Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 14, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 11 through 23 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

PEOPLE PRINCIPLES POSSIBILITIES

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, supplementary information, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, supplementary information, and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Side Bailly LLP*

Minneapolis, Minnesota  
April 14, 2006

## Management's Discussion and Analysis

As management of the City of South St. Paul, we offer readers of the City's comprehensive annual financial report this overview and analysis of the financial activities of the City of South St. Paul for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with additional information in the letter of transmittal which can be found on the beginning pages of this report.

### Financial Highlights

- The assets of the City of South St. Paul exceeded its liabilities at the close of the most recent fiscal year by \$60,668,430 (net assets) consisting of \$46,486,415 in net assets of governmental activities and \$14,182,015 in net assets of business-type activities. Of this amount, \$18,146,588 (unrestricted net assets of \$15,794,256 in governmental activities and \$2,352,332 in business-type activities) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net assets increased by \$1,501,135 from the prior year.
- As of the close of the current fiscal year, the City of South St. Paul's governmental funds reported combined ending fund balances of \$18,035,082.
- Sixty-five (65%) percent of this total amount or \$11,709,608 is unreserved and available for use within the City's designations and policies.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$4,298,997 which is forty-six percent (46%) of total general fund expenditures before transfers.
- The City of South St. Paul's total bonded debt decreased by \$5,370,000 from \$19,865,000 to \$14,495,000. This represents a decrease of 27%. The decrease was primarily due to the call and early retirement of three bond issues: the refinanced 1996 Tax Increment Refunding Bonds; the 1993 Improvement Bonds and the 1995A Improvement Bonds. These bonds were called for redemption effective February 1, 2005.

### Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City of South St. Paul's basic financial statements. The City of South St. Paul's basic financial statements are comprised of three components as follows: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

This report also contains a statistical section and other supplementary information in addition to the basic financial statements themselves. The statistical section provides historical financial and other data and the supplementary section provides schedules of debt service requirements, investments and deferred property tax levies.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of South St. Paul's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the City of South St. Paul's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of South St. Paul is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of South St. Paul that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of South St. Paul include general government, public safety, public works, recreation (parks and programs, library, arena) and transportation (airport).

There are two business-type activities of the City of South St. Paul - water/sanitary sewer and storm water utility. The storm water utility began in late 2003.

The government-wide financial statements can be found on pages 25-27 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of South St. Paul, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the City of South St. Paul can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statement. By doing so, readers may better understand the long-term

impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of South St. Paul maintains five major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, one special revenue fund (Airport), two capital project funds (Special Projects, General Programs) and one debt service fund (1996 Tax Increment Refunding Bonds). Data from the other 34 governmental funds (four special revenue, eighteen debt service, twelve capital projects) are combined into a single, aggregated presentation under the title of nonmajor governmental funds. Individual fund data for each of these funds is provided in the form of combining statements and can be found after the notes in the financial section of this report.

The City of South St. Paul adopts an annual appropriated budget for major funds as follows: General Fund, Airport Fund. A budgetary statement comparing original budget, revised budget and actual results has been provided for those funds to demonstrate compliance and to provide the reader with budgetary detail.

The basic governmental fund financial statements can be found on pages 28-41.

**Proprietary funds.** The City of South St. Paul maintains two different types of proprietary funds – enterprise funds and an internal service fund.

First, enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City of South St. Paul uses enterprise funds to account for its water/sanitary sewer and storm sewer utility. Second, the City of South St. Paul has a single internal service fund to account for its central garage activity. In general, the central garage fund purchases and maintains all city vehicles. Charges are paid to the central garage by city operating departments based on maintenance, supplies and depreciation associated with the specific vehicles used by the department. Investment earnings from the central garage have been included within governmental activities in the government-wide financial statements. The central garage is not reported separately on the government-wide statement of activities but has been included within governmental activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water/sanitary sewer and storm water utility operations and the central garage internal service fund. The basic proprietary fund financial statements can be found on pages 38-40 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the operation of the City of South St. Paul. The basic fiduciary fund financial statement can be found on page 41 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 43-71 of this report.

**Other information.** The combining statements reporting on nonmajor governmental funds and fiduciary funds and budget and actual schedules are presented immediately following the notes starting on page 74 of this report. Following the combining statements is supplementary financial information (pages 97-106) and the 2005 CAFR wraps up with the statistical section on pages 108 through 121.

## **Government-Wide Financial Analysis**

### **Governmental Activities: Statement of Net Assets**

As noted earlier, net assets exceeded liabilities by \$60,668,430 at the close of the most recent fiscal year. The largest portion of South St. Paul's net assets (62%) reflects its investment in capital assets (e.g. land, buildings and land improvements, infrastructure, machinery, equipment and construction in progress) less any related debt used to acquire those assets that is still outstanding. The City of South St. Paul uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Accumulated depreciation as of December 31, 2005 is displayed as a separate line item in the fund statements of the proprietary funds. However, in the government-wide Statement of Net Assets it is netted against assets and not shown separately.

Significant details of the Statement of Net Assets including 2004 comparative data are displayed separately for governmental activities and business-type activities in the chart and narrative which follow.

## CITY OF SOUTH ST. PAUL: NET ASSETS

	Governmental Activities 2005	Governmental Activities 2004	Business- Type Activities 2005	Business-Type Activities 2004	Total 2005	Total 2004
Current and other assets	\$23,481,382	\$28,103,003	\$2,683,670	\$2,496,076	\$26,165,052	\$30,599,079
Capital assets	40,351,878	40,307,549	11,829,683	11,896,767	52,181,561	52,204,316
Total assets	63,833,260	68,410,552	14,513,353	14,392,843	78,346,613	82,803,395
Non-current liabilities	15,171,126	20,265,199	59,590	50,253	15,230,716	20,315,452
Other liabilities	2,175,719	3,050,480	271,748	270,168	2,447,467	3,320,648
Total liabilities	17,346,845	23,315,679	331,338	320,421	17,678,183	23,636,100
Net assets:						
Invested in capital assets, net of related debt	25,965,134	20,534,450	11,829,683	11,896,767	37,794,817	32,431,217
Restricted	4,727,025	9,699,511	0	0	4,727,025	9,699,511
Unrestricted	15,794,256	14,860,912	2,352,332	2,175,655	18,146,588	17,036,567
<b>Total net assets</b>	<b>\$46,486,415</b>	<b>\$45,094,873</b>	<b>\$14,182,015</b>	<b>\$14,072,422</b>	<b>\$60,668,430</b>	<b>\$59,167,295</b>

Net assets at the end of the current fiscal year for the government as a whole which includes its separate governmental and business-type activities totaled \$60,668,430. The major element of the year-end current asset balance of \$26,165,052 was cash/investments of \$20,549,418 which represented 78% of the total current asset balance.

As of December 31, 2005, total liabilities for governmental activities and business-type activities were \$17,678,183. Of this amount, \$15,230,716 or 86% were non-current liabilities consisting primarily of bonded debt issued to finance public works infrastructure projects. A portion of the City of South St. Paul's governmental activities net assets represents resources that are subject to external restrictions on how they may be used. As of December 31, 2005, \$4,727,025 was thus restricted due to bond covenants with external bond purchasers related to future debt service requirements. The remaining balance of unrestricted net assets of \$18,146,588 may be used to meet the City's ongoing obligations to citizens and creditors.

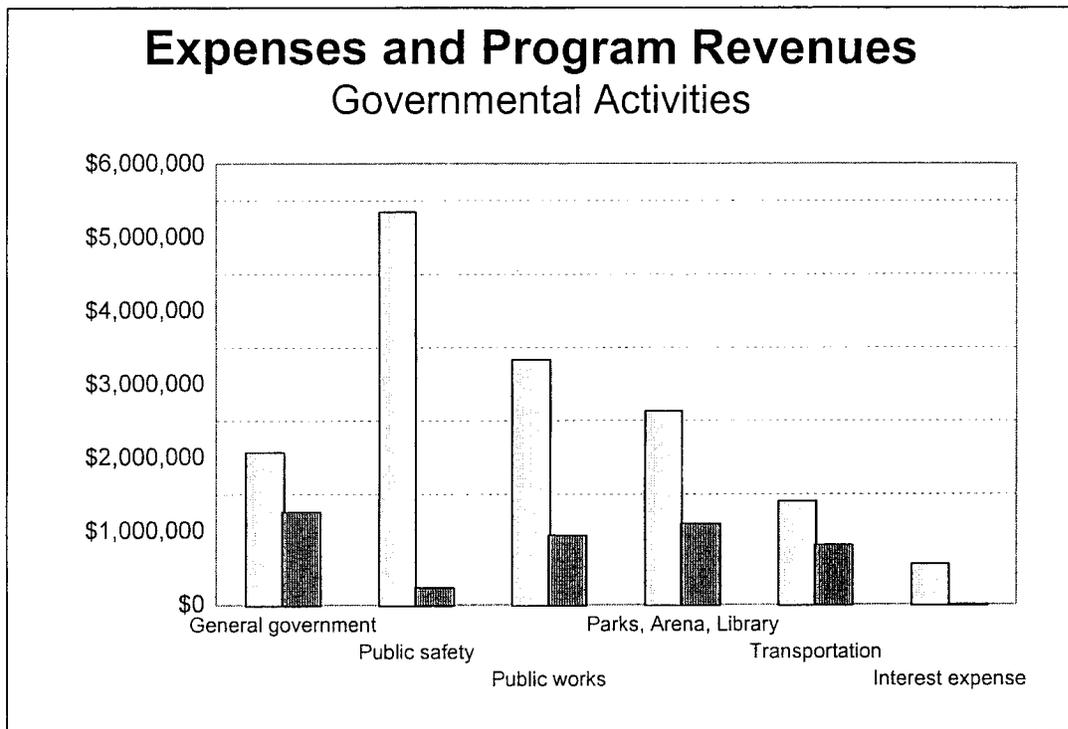
## CITY OF SOUTH ST. PAUL: STATEMENT OF ACTIVITIES

	Governmental Activities 2005	Governmental Activities 2004	Business-Type Activities 2005	Business-Type Activities 2004	Total 2005	Total 2004
Revenues:						
Program revenues:						
Charges for services	\$4,339,929	\$4,811,464	\$3,660,809	\$3,670,378	\$8,000,738	\$8,481,842
Operating grants and contributions	994,062	1,203,916	0	0	994,062	1,203,916
Capital grants and contributions	1,519,639	487,949	0	0	1,519,639	487,949
General revenues:						
Property taxes	6,312,065	5,969,858	0	0	6,312,065	5,969,858
Franchise tax	723,491	601,642	0	0	723,491	601,642
Unrestricted grants & contributions	2,249,007	2,808,461	0	0	2,249,007	2,808,461
Investment earnings	609,957	612,784	46,723	92,864	656,680	705,648
Total revenues	16,748,150	16,496,074	3,707,532	3,763,242	20,456,682	20,259,316
Expenses:						
General government	2,067,202	1,841,098	0	0	2,067,202	1,841,098
Public safety	5,343,939	5,250,220	0	0	5,343,939	5,250,220
Public works	3,328,511	4,018,591	0	0	3,328,511	4,018,591
Parks, Arena, library	2,721,746	2,612,547	0	0	2,721,746	2,612,547
Transportation	1,405,760	1,359,049	0	0	1,405,760	1,359,049
Interest on long-term debt	544,450	667,195	0	0	544,450	667,195
Water & sanitary sewer	0	0	3,354,849	3,135,135	3,354,849	3,135,135
Storm sewer utility	0	0	188,090	184,343	188,090	184,343
Total expenses	15,411,608	15,748,700	3,542,939	3,319,478	18,954,547	19,068,178
Increase in net assets before transfers	\$1,336,542	747,374	164,593	443,764	1,501,135	1,191,138
Transfers	\$55,000	1,245,000	(55,000)	(1,245,000)	0	0
Increase in net assets	\$1,391,542	1,992,374	109,593	(801,236)	1,501,135	1,191,138
Net assets on Jan 1	45,094,873	43,102,499	14,072,422	14,873,658	59,167,295	57,976,157
Net assets on Dec 31	\$46,486,415	\$45,094,873	\$14,182,015	\$14,072,422	\$60,688,430	\$59,167,295

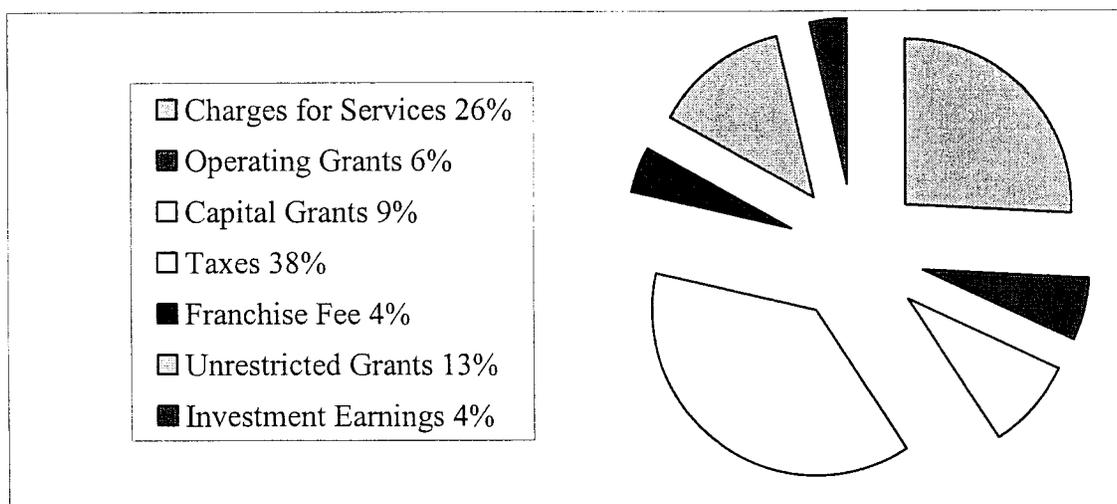
### Governmental Activities: Statement of Activities

Revenues from governmental activities are reported as program revenues or general revenues. Program revenues are, in turn, reported as charges for services, operating grants and contributions or capital grants and contributions. Expenses are reported on a functional or program basis. Total governmental activities revenues and transfers in were \$16,803,150 against expenses of \$15,411,608 resulting in an increase in net assets of \$1,391,542. The 2005 transfer of \$55,000 from business-type activities to governmental activities consisted of a recurrent transfer of \$55,000.

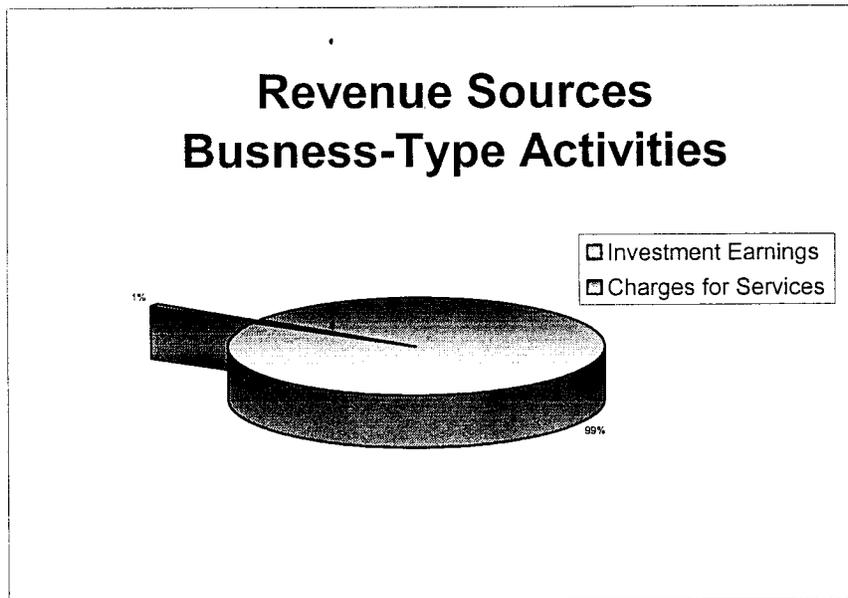
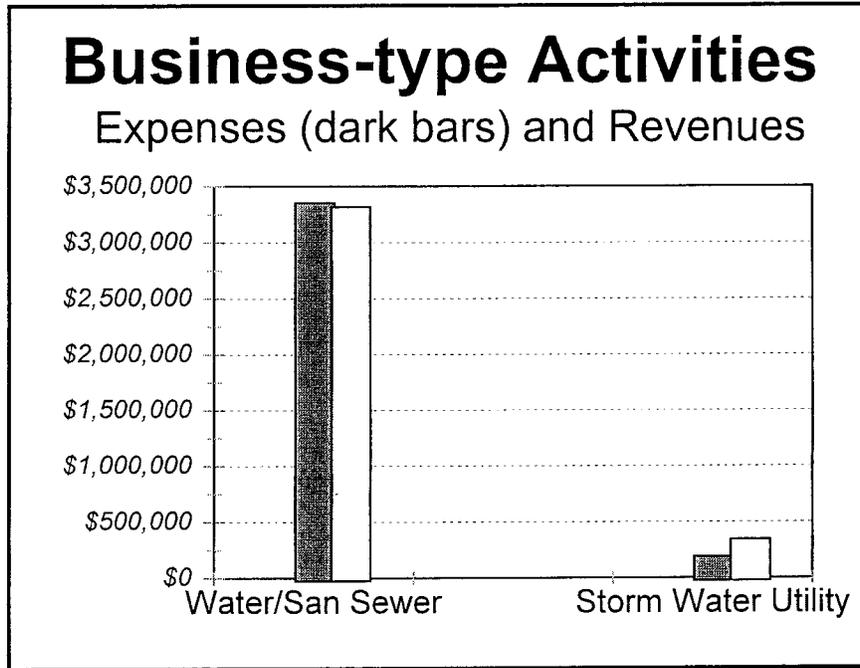
The graph below provides comparisons of the expenses (light bars) and program revenues (darkish bars) of governmental activities.



The pie chart below details sources of revenue for governmental activities.



**Business-type activities.** Business-type activities net assets increased by \$109,593 in 2005. A scheduled transfer of \$55,000 was made to the General Fund. The graphs below display: 1) revenue and expense comparisons and 2) revenue sources for the City's two business-type activities.



## Financial Analysis of the Government's Funds

**Governmental funds.** The focus of the City of South St. Paul's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of South St. Paul's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City of South St. Paul's governmental funds reported combined ending fund balances of \$18,035,082. Of this total amount, approximately 65% or \$11,709,608 constitutes unreserved fund balance. The remainder of the fund balance is reserved as follows: debt service funds reserve of \$4,727,025 and a reservation for interfund advances against the lending fund (General Programs) of \$1,598,449.

### **Fund balance changes for the City's major funds were as follows:**

The General Fund: Increase of \$710,905 to \$4,298,997. The increase was due to higher revenues (\$299,280), lower expenditures (\$412,845) and higher transfers out (\$1,220) than were expected. The ratio of the fund balance (\$4,298,997) to total expenditures plus transfers out (\$9,256,993) for 2005 is 46%.

Airport Fund: Increase of \$25,486. The Airport had revenue over expenditures of \$25,486 due in large measure to an increase in aircraft fuel sales. The ten-year plan for the Airport operation shows elimination of the year-end fund balance deficit of \$1,051,847 deficit through increased charges for services resulting from recent extension of infrastructure facilities making many new hangar sites available for lease and the construction of a new T-hanger.

Special Projects Fund: Increase of \$1,918,972. The Special Project Fund exists to support the City's capital improvement program ("CIP"). In 2005, the CIP program expenditures were historically low at \$147,165 with the main item being a park system master plan master (\$39,860). The fund had a transfer out of \$332,012 mostly going to the street improvement capital project fund. Revenues totaled \$330,391. Transfers from other funds of \$2,067,758 included a scheduled transfer of \$157,000 from the Local Improvement Fund. The balance of the transfer in (\$1,910,668) came from a variety of closed debt service and capital project funds. The ending fund balance was \$4,654,131.

General Programs Fund: No Change in Fund Balance. The purpose of the General Programs Fund is to provide adequate cash flow for general city operations and annual construction projects. It is also a potential source of discretionary funding for future capital projects. In accordance with City Council policy, the balance of the General Programs Fund must be adequate to finance one-half of the portion of the City's 2005 General Fund and Library Fund budgets which are financed by state aid and property taxes.

Based on that formula, the fund balance needed as of December 31, 2005, approximated \$4,300,000 so a transfer from the General Fund was not needed to finance 2006. Investment earnings on the cash balance of this fund inure to the benefit of the General Fund and thus are not recorded as a General Programs Fund transaction.

1996 Tax Increment Refunding Bonds. The 1996 Tax Increment Refunding Bonds were called for early redemption effective February 1, 2005. In order to raise cash to retire the outstanding bonds early, new debt was issued on December 28, 2004. The cash generated by the bond issue plus a transfer from the related tax increment capital project fund of \$673,962 was used in 2005 to redeem the outstanding bonds. The fund was closed after the February 1, 2005 debt service payment.

**Proprietary funds.** Net assets in the Water and Sewer Enterprise Fund increased by \$6,269 in 2005 and stood at \$7,453,484 at year-end. The loss from operations was \$35,357 which was offset by investment earnings of \$41,626 producing the slight increase in net assets for the year.

Net assets increased \$158,324 in the other enterprise fund - the Storm Water Utility. Operating revenue of \$341,317 was generated by service charges to real estate properties. Depreciation expense was \$188,090 and there was a scheduled transfer to the General Fund of \$55,000. Net assets at year-end were \$6,728,531 of which 96% were invested in capital assets.

## **Budgetary Highlights**

The City Council adopted 2005 operating budgets for the General Fund (pages 33–36) and three special revenue funds. Schedules which compare actual results to budget can be found: major Airport Fund (page 37), nonmajor Library Fund (page 92) and Wakota Arena Fund (page 93). A summary of the General Fund follows.

### General Fund

Facing a sizable state deficit, the legislature of the State of Minnesota once again made significant reductions in state aid to local governments (“LGA”) for 2005. The reduction adversely impacted the 2005 LGA to the City of South St. Paul in the amount of \$525,000. This reduction came on the heels of a retroactive LGA cut of \$785,000 made four months into the 2003 fiscal year and a \$396,000 cut for 2004. Taken together, the 2005 LGA of \$1,718,000 represents a decline of nearly 50%. For 2005, the City met the challenge primarily on the expenditure side of the ledger. The 2005 General Fund total budget for expenditures stood at \$9,668,000 which represents a reduction of \$65,000 from the 2004 budget. This spending level was the lowest in five years. General Fund property taxes increased \$210,000 in 2005 representing an increase of 4.8% over 2004. The end of the year bottom line was an increase in the fund balance of \$710,905. This brought the fund balance to an historic high level of \$4,298,997. The fund balance has solid liquidity as evidenced by the year-end cash and investment balance of \$4,315,528.

The increase in the fund balance was due to higher revenues (\$299,280), lower expenditures (\$412,845) and higher transfers out (\$1,220) than were expected. The significant sources accounting for revenues exceeding budget included permits and plan fees (over \$67,000), fire/police aids (over \$69,000) and engineering project charges (over \$29,000) and investment earnings which exceeded estimates by \$32,000. Major areas of expenditures finishing the year under budget included the following departments: Police \$149,000; Fire \$139,000; Code Enforcement \$32,000; Parks Administration \$29,000; and an unspent contingency appropriation of \$27,000. The changes between appropriation categories during the year reflect transfers from the contingency account to operating departments pursuant to City Council directive. The majority of the transfers were to fund wage increases as union contracts were settled during 2005 to be effective retroactive to January 1, 2005.

### Capital Asset and Debt Administration

**Capital assets.** The City of South St. Paul’s investment in capital assets for its governmental and business-type activities as of December 31, 2005 was \$37,794,817 (net of related debt). This investment in capital assets includes land, buildings and land improvements, infrastructure, machinery and equipment. More detailed information regarding capital assets are found in the notes to the financial statements (pages 59–61).

Major capital asset events during the current fiscal year included the following:

- \$1,200,000 invested in resurfacing and replacement of streets
- \$725,000 (construction in process) invested so far in constructing a T-hangar at the airport which is being built to generate rental income
- \$300,000 to replace sanitary sewer and water lines
- \$689,000 spent to replace a variety of City vehicles

### City of South St. Paul: Capital Assets (Net of Depreciation)

	Governmental Activities 2005	Governmental Activities 2004	Business-Type Activities 2005	Business-Type Activities 2004	Total 2005	Total 2004
Land	\$9,852,335	\$10,050,935	\$295,900	\$295,900	10,148,235	\$10,346,835
Building and Land Improvements	6,033,117	6,302,308	748,015	825,359	6,781,132	7,127,667
Machinery and Equipment	1,904,785	1,624,188	153,314	127,969	2,058,099	1,752,157
Infrastructure	21,839,759	22,330,118	10,632,454	10,647,539	32,472,213	32,977,657
Construction in Process	721,882	0	0	0	721,882	0
<b>Total Capital Assets</b>	<b>\$40,351,878</b>	<b>\$40,307,549</b>	<b>\$11,829,683</b>	<b>\$11,896,767</b>	<b>\$52,181,561</b>	<b>\$52,204,316</b>

**Non-current liabilities.** At the end of the current fiscal year, the City of South St. Paul had total bonded debt outstanding of \$14,495,000; all of which was general obligation. Of that amount, \$6,015,000 represents special assessment debt, \$4,320,000 is tax increment debt, \$2,490,000 is general purpose debt, and \$1,670,000 is the Arena Revenue bonds. In addition, the City has long-term debt (governmental funds) in the amount of \$585,436 for compensated absences. This amount has increased substantially from 2004 because of changes in 2005 employee union agreements whereby all employees of ten years of service will receive a cash severance payment. Heretofore, retirement was required to receive the severance payment. As of December 31, 2005, the only outstanding non-current obligation of the Enterprise Funds were compensated absences of \$59,590.

### **City of South St. Paul: Non-current Liabilities**

Type of Debt	Governmental Activities 2005	Governmental Activities 2004	Business-Type Activities 2005	Business-Type Activities 2004	Total 2005	Total 2004
Special Assessment Bonds	\$6,015,000	\$5,945,000	\$0	\$0	\$6,015,000	\$5,945,000
Tax Increment Bonds	4,320,690	9,505,882	0	0	4,320,690	9,505,882
General Purpose Bonds	2,490,000	2,645,000	0	0	2,490,000	2,645,000
Revenue Bonds	1,670,000	1,770,000	0	0	1,670,000	1,770,000
Soil Remediation Liability	90,000	0	0	0	90,000	0
Compensated Absences	585,436	399,317	59,590	50,253	645,026	449,570
<b>Total</b>	<b>\$15,171,126</b>	<b>\$20,265,199</b>	<b>\$59,590</b>	<b>\$50,253</b>	<b>\$15,230,716</b>	<b>\$20,315,452</b>

The City of South St. Paul maintains an A1 rating from Moody's Investors Services.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 2% of total estimated market value. The current debt limitation for the City of South St. Paul is \$24,824,944. General obligation general purpose bonds of \$2,490,000 are counted within the statutory limitation as this debt is wholly financed by a general tax levy. The difference between the legal limit and related debt is \$22,334,944 which is often referred to as the legal debt margin. Additional information on the City of South St. Paul long-term debt can be found in the notes to the financial statements, Section E, "Long-Term Debt" on pages 63-66 and in the supplementary section of this report starting on page 97.

### **Economic Factors, Future Budgets and Rates**

The following items are an integral part of the City's planning for and dealing with near-term financial issues:

◇ The local economy is expected to stay healthy with residential values maintaining their 5%-10% growth factor through 2006. There have been gradual increases in the

investment earnings. Medical insurance premiums are expected to continue to grow but the percentage increase in the City's medical insurance cost has been below the regional average for the past six years. The current group medical insurance policy is on a calendar year basis. Salaries are expected to increase at the general rate of inflation. Energy prices are expected to climb which will impact the approximately \$600,000 the City spends on energy products (e. g. electricity, gasoline).

◁ State of Minnesota Local Governmental Aid ("L.G.A.") has been on the decline since 2003. The 2005 General Fund Budget for LGA was \$1,718,000 reflecting a 50% drop in three years. The 2006 Budget which was adopted in December of 2005, predicts an increase in LGA of \$481,000. But the roller coaster continues and, if the statutes don't change, LGA will again drop for fiscal year 2007.

◁ A major city hall renovation project was brought before the public in December of 2005. The City is moving forward with the \$9 million project in 2006. Twenty-year bonds of \$3.8 million will be issued and about \$5 million will come from the Special Projects Fund. Debt service will be met by a modest tax increase (estimated tax impact on average-valued property of \$27 per year) and transfers from the Water enterprise fund. It appears that no significant tax increase for operating purposes will be needed in the next few years (2006-2008).

◁ An enterprise fund was created in late 2003 to account for a new storm water utility. The fees for 2005 were \$341,000. This new, regular source of revenue will allow the City to meet new government storm water regulations and to keep the current system well maintained.

◁ The City Council took action in December of 2005 and increased water and sanitary sewer rates effective January 1, 2006. The increases were based on a five-year financial plan and is a proactive step to meet rising operating costs and coming infrastructure improvements. Well over one-half of the expenses of this enterprise fund are represented by payments to the Metropolitan Council for treatment of waste water. These processing costs have been very stable until 2005 when the per 1,000 gallon rate jumped 9.3%. Additional annual rate increases averaging 5% are expected to be the norm for the next several years as well as a new "inflow and infiltration" charge. Despite the increases, the City's sewer rates remain below the average for the Metropolitan Area and the City's water rates are some of the lowest in the state.

### **Requests for information.**

This financial report is designed to provide a general overview of the City of South St. Paul's finances. Questions concerning any of the information provided in this report or requests for any additional financial information should be addressed to:

City Finance Director  
125 Third Avenue North  
South St. Paul, MN 55075

**This page intentionally left blank.**

City of South St. Paul, Minnesota  
**STATEMENT OF NET ASSETS**  
December 31, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$4,283,150	\$311,701	\$4,594,851
Investments	14,872,256	1,082,311	15,954,567
Accrued interest	228,681	0	228,681
Receivables:			
Accounts	357,765	1,102,936	1,460,701
Taxes	680,310	0	680,310
Special assessments	2,282,721	182,892	2,465,613
Due from other governmental units	630,737	3,830	634,567
Internal balances	0	0	0
Inventories	35,635	0	35,635
Prepays	1,181	0	1,181
Deferred charges	108,946	0	108,946
Capital assets (net of accumulated depreciation):			
Land	9,852,335	295,900	10,148,235
Buildings and land improvements	6,033,117	748,015	6,781,132
Machinery and equipment	1,904,785	153,314	2,058,099
Infrastructure	21,839,759	10,632,454	32,472,213
Construction in process	721,882	0	721,882
<b>Total assets</b>	<b>63,833,260</b>	<b>14,513,353</b>	<b>78,346,613</b>
<b>LIABILITIES</b>			
Accounts, salaries and contracts payable	1,348,210	52,686	1,400,896
Due to other governmental units	3,204	122	3,326
Accrued interest payable	215,820	0	215,820
Unearned revenue	608,485	218,940	827,425
Non-current liabilities:			
Due within one year	1,832,627	38,638	1,871,265
Due in more than one year	13,338,499	20,952	13,359,451
<b>Total liabilities</b>	<b>17,346,845</b>	<b>331,338</b>	<b>17,678,183</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	25,965,134	11,829,683	37,794,817
Restricted for:			
Debt service	4,727,025	0	4,727,025
Unrestricted	15,794,256	2,352,332	18,146,588
<b>Total net assets</b>	<b>\$46,486,415</b>	<b>\$14,182,015</b>	<b>\$60,668,430</b>

The notes to the financial statements are an integral part of this statement.

City of South St. Paul, Minnesota  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2005

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
<b><u>FUNCTIONS/PROGRAMS</u></b>			
Governmental activities:			
General government	\$2,067,202	\$1,263,330	\$55,164
Public safety	5,343,939	229,779	697,343
Public works	3,328,511	941,274	203,043
Parks, Arena, Library	2,721,746	1,097,230	8,543
Transportation	1,405,760	808,316	29,969
Interest on long-term debt	544,450	0	0
Total governmental activities	<u>15,411,608</u>	<u>4,339,929</u>	<u>994,062</u>
Business-type activities:			
Water and sewer	3,354,849	3,319,492	0
Storm water	188,090	341,317	0
Total business-type activities	<u>3,542,939</u>	<u>3,660,809</u>	<u>0</u>
<b>Total</b>	<b><u>\$18,954,547</u></b>	<b><u>\$8,000,738</u></b>	<b><u>\$994,062</u></b>

General revenues:  
General property taxes  
Franchise tax  
Unrestricted grants and contributions  
Investment earnings  
Transfers  
    Total general revenues and transfers

Change in net assets  
Net assets - January 1

**Net assets - December 31**

The notes to the financial statements are an integral part of this statement.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
\$0	(\$748,708)	\$0	(\$748,708)
0	(4,416,817)	0	(4,416,817)
483,570	(1,700,624)	0	(1,700,624)
720,700	(895,273)	0	(895,273)
315,369	(252,106)	0	(252,106)
0	(544,450)	0	(544,450)
<u>1,519,639</u>	<u>(8,557,978)</u>	<u>0</u>	<u>(8,557,978)</u>
0	0	(35,357)	(35,357)
0	0	153,227	153,227
0	0	117,870	117,870
<b><u>\$1,519,639</u></b>	<b><u>(8,557,978)</u></b>	<b><u>117,870</u></b>	<b><u>(8,440,108)</u></b>
	6,312,065	0	6,312,065
	723,491	0	723,491
	2,249,007	0	2,249,007
	609,957	46,723	656,680
	55,000	(55,000)	0
	<u>9,949,520</u>	<u>(8,277)</u>	<u>9,941,243</u>
	1,391,542	109,593	1,501,135
	<u>45,094,873</u>	<u>14,072,422</u>	<u>59,167,295</u>
	<b><u>\$46,486,415</u></b>	<b><u>\$14,182,015</u></b>	<b><u>\$60,668,430</u></b>

City of South St. Paul, Minnesota  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
December 31, 2005

	<u>General</u>	<u>Airport</u>	<u>Special Projects</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$964,952	\$0	\$1,050,404
Investments	3,350,576	0	3,647,288
Accrued interest	0	0	0
Receivables:			
Accounts	237,378	78,331	0
Taxes:			
Delinquent	96,235	0	10
Due from county	512,899	0	0
Special assessments:			
Delinquent	868	0	1,016
Deferred	4,193	0	107,140
Due from county	0	0	0
Due from other governmental units	13,626	0	0
Interfund advance receivable	0	0	0
Inventories	0	35,635	0
Prepays	1,181	0	0
<b>Total assets</b>	<b><u>\$5,181,908</u></b>	<b><u>\$113,966</u></b>	<b><u>\$4,805,858</u></b>
<b><u>LIABILITIES</u></b>			
Accounts, salaries and contracts payable	\$783,507	\$15,080	\$4,672
Due to other governmental units	3,169	0	0
Interfund advance payable	0	1,150,733	0
Deferred revenue	96,235	0	147,055
<b>Total liabilities</b>	<b><u>882,911</u></b>	<b><u>1,165,813</u></b>	<b><u>151,727</u></b>
<b><u>FUND BALANCES</u></b>			
Reserved for debt retirement	0	0	0
Reserved for interfund advance	0	0	0
Unreserved, designated for:			
Working capital	0	0	0
Future projects	0	0	4,654,131
Unreserved, undesignated for:			
General fund	4,298,997	0	0
Special revenue funds	0	(1,051,847)	0
Debt service funds	0	0	0
Capital project funds	0	0	0
<b>Total fund balances</b>	<b><u>4,298,997</u></b>	<b><u>(1,051,847)</u></b>	<b><u>4,654,131</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$5,181,908</u></b>	<b><u>\$113,966</u></b>	<b><u>\$4,805,858</u></b>

The notes to the financial statements are an integral part of this statement.

General Programs	1996 Tax Increment Refunding Bonds	Nonmajor Governmental Funds	Total
\$552,934	\$0	\$1,461,148	\$4,029,438
1,919,936	0	5,073,501	13,991,301
228,681	0	0	228,681
0	0	42,056	357,765
0	0	55,072	151,317
0	0	16,094	528,993
0	0	36,890	38,774
0	0	2,117,222	2,228,555
0	0	15,392	15,392
0	0	617,111	630,737
1,598,449	0	0	1,598,449
0	0	0	35,635
0	0	0	1,181
<b><u>\$4,300,000</u></b>	<b><u>\$0</u></b>	<b><u>\$9,434,486</u></b>	<b><u>\$23,836,218</u></b>
\$0	\$0	\$380,691	\$1,183,950
0	0	35	3,204
0	0	447,716	1,598,449
0	0	2,772,244	3,015,534
<b><u>0</u></b>	<b><u>0</u></b>	<b><u>3,600,686</u></b>	<b><u>5,801,137</u></b>
0	0	4,727,025	4,727,025
1,598,449	0	0	1,598,449
2,701,551	0	0	2,701,551
0	0	1,193,844	5,847,975
0	0	0	4,298,997
0	0	(44,169)	(1,096,016)
0	0	284,064	284,064
0	0	(326,964)	(326,964)
<b><u>4,300,000</u></b>	<b><u>0</u></b>	<b><u>5,833,800</u></b>	<b><u>18,035,081</u></b>
<b><u>\$4,300,000</u></b>	<b><u>\$0</u></b>	<b><u>\$9,434,486</u></b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 39,186,285

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. 2,407,049

Internal service funds are used by management to charge the costs of central garage to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statements of net assets. 2,132,133

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (15,274,133)

**Net assets of governmental activities** **\$46,486,415**

City of South St. Paul, Minnesota  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2005

	<u>General</u>	<u>Airport</u>	<u>Special Projects</u>
<b><u>REVENUES</u></b>			
General property taxes	\$4,060,619	\$0	\$55
Franchise tax	723,491	0	0
Licenses and permits	537,347	0	0
Intergovernmental	3,200,616	29,769	0
Charges for services	840,864	785,470	16,667
Fines and forfeits	95,612	0	0
Special assessments	0	0	12,235
Investment earnings	230,107	0	128,101
Contributions and donations	100	200	0
Miscellaneous	161,942	28,846	173,333
<b>Total revenues</b>	<b><u>9,850,698</u></b>	<b><u>844,285</u></b>	<b><u>330,391</u></b>
<b><u>EXPENDITURES</u></b>			
Current:			
General government	1,486,948	0	11,444
Public safety	5,118,173	0	2,720
Public works	1,616,849	0	5,846
Parks, Arena, Library	962,189	0	0
Transportation	0	767,314	0
Nondepartmental	0	0	0
Development and other costs	0	0	0
Capital outlay:			
General government	0	0	0
Public safety	16,414	0	0
Public works	0	0	64,906
Parks, Arena, Library	0	0	62,249
Transportation	0	11,061	0
Interest expenditure	0	40,424	0
Debt service:			
Principal	0	0	0
Interest	0	0	0
Bond issuance costs	0	0	0
<b>Total expenditures</b>	<b><u>9,200,573</u></b>	<b><u>818,799</u></b>	<b><u>147,165</u></b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b><u>650,125</u></b>	<b><u>25,486</u></b>	<b><u>183,226</u></b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers in	117,200	0	2,067,758
Transfers out	(56,420)	0	(332,012)
Bonds issued	0	0	0
Sale of capital assets	0	0	0
<b>Total other financing sources (uses)</b>	<b><u>60,780</u></b>	<b><u>0</u></b>	<b><u>1,735,746</u></b>
<b>Net change in fund balances</b>	<b>710,905</b>	<b>25,486</b>	<b>1,918,972</b>
Fund balance (deficit) - January 1	3,588,092	(1,077,333)	2,735,159
<b>Fund balance (deficit) - December 31</b>	<b><u>\$4,298,997</u></b>	<b><u>(\$1,051,847)</u></b>	<b><u>\$4,654,131</u></b>

The notes to the financial statements are an integral part of this statement.

General Programs	1996 Tax Increment Refunding Bonds	Nonmajor Governmental Funds	Total
\$0	\$0	\$2,223,840	\$6,284,514
0	0	0	723,491
0	0	0	537,347
0	0	1,562,725	4,793,110
0	0	915,302	2,558,303
0	0	8,315	103,927
0	0	904,306	916,541
0	0	211,934	570,142
0	0	27,042	27,342
0	0	7,437	371,558
<u>0</u>	<u>0</u>	<u>5,860,901</u>	<u>16,886,275</u>
0	0	8,333	1,506,725
0	0	48,177	5,169,070
0	0	1,231,954	2,854,649
0	0	1,380,309	2,342,498
0	0	3,190	770,504
0	0	273,538	273,538
0	0	285,965	285,965
0	0	172,251	172,251
0	0	0	16,414
0	0	0	64,906
0	0	0	62,249
0	0	723,379	734,440
0	0	12,570	52,994
0	4,875,000	2,005,000	6,880,000
0	119,844	501,607	621,451
0	0	29,459	29,459
<u>0</u>	<u>4,994,844</u>	<u>6,675,732</u>	<u>21,837,113</u>
<u>0</u>	<u>(4,994,844)</u>	<u>(814,831)</u>	<u>(4,950,838)</u>
0	673,962	1,414,353	4,273,273
0	0	(3,874,841)	(4,263,273)
0	0	1,510,000	1,510,000
0	0	159,217	159,217
<u>0</u>	<u>673,962</u>	<u>(791,271)</u>	<u>1,679,217</u>
0	(4,320,882)	(1,606,102)	(3,271,621)
4,300,000	4,320,882	7,439,902	21,306,702
<u>\$4,300,000</u>	<u>\$0</u>	<u>\$5,833,800</u>	<u>\$18,035,081</u>

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2005

Amounts reported for governmental activities in the statement of activities are different because:

**Net change in fund balances - total governmental funds** **(\$3,271,621)**

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. (162,689)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets sold is removed from the capital asset account in the statement of net assets and offset against the sale proceeds resulting in a gain or loss in the statement of activities. (198,600)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (153,721)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 5,370,000

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (182,177)

Internal service funds are used by management to charge the costs of central garage to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. (9,650)

**Change in net assets of governmental activities** **\$1,391,542**

The notes to the financial statements are an integral part of this statement.

**GENERAL FUND****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****BUDGET AND ACTUAL**

For the Year Ended December 31, 2005

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
General property taxes:				
Current	\$3,019,935	\$3,019,935	\$2,990,916	(\$29,019)
Delinquent	0	0	75,116	75,116
Fiscal disparities	1,006,000	1,006,000	990,012	(15,988)
Other	0	0	4,575	4,575
Total general property taxes	<u>4,025,935</u>	<u>4,025,935</u>	<u>4,060,619</u>	<u>34,684</u>
Franchise tax	600,000	600,000	723,491	123,491
Licenses and permits	470,000	470,000	537,347	67,347
Intergovernmental:				
Federal:				
Grants	6,000	6,000	6,000	0
State:				
Market value homestead credit	544,041	544,041	519,350	(24,691)
Local government aid	1,718,103	1,718,103	1,718,103	0
Road maintenance	184,000	184,000	174,460	(9,540)
Fire and police aids	620,000	620,000	649,312	29,312
Other	26,164	26,164	24,226	(1,938)
County:				
Gravel tax	4,500	4,500	4,838	338
Road maintenance	29,000	29,000	28,583	(417)
Recycling grant	18,000	18,000	18,000	0
Other	40,525	40,525	57,744	17,219
Total intergovernmental	<u>3,190,333</u>	<u>3,190,333</u>	<u>3,200,616</u>	<u>10,283</u>
Charges for services:				
General government	189,000	189,000	217,540	28,540
Public safety	90,000	90,000	101,379	11,379
Public works	3,500	3,500	5,028	1,528
Parks and recreation	167,750	167,750	175,680	7,930
Administrative fee - other funds	106,000	106,000	106,000	0
Engineering project fees	180,000	180,000	156,049	(23,951)
Rents	78,900	78,900	79,188	288
Total charges for services	<u>815,150</u>	<u>815,150</u>	<u>840,864</u>	<u>25,714</u>
Fines and forfeits	90,000	90,000	95,612	5,612
Miscellaneous:				
Investment earnings	200,000	200,000	230,107	30,107
Miscellaneous	160,000	160,000	162,042	2,042
Total miscellaneous	<u>360,000</u>	<u>360,000</u>	<u>392,149</u>	<u>32,149</u>
<b>Total revenues</b>	<b><u>9,551,418</u></b>	<b><u>9,551,418</u></b>	<b><u>9,850,698</u></b>	<b><u>299,280</u></b>

City of South St. Paul, Minnesota  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
December 31, 2005

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
General government:				
Mayor and council:				
Personal services	\$55,539	\$55,539	\$55,091	\$448
Materials and supplies	550	550	487	63
Services and other charges	47,448	47,448	42,118	5,330
Capital outlay	1,500	1,500	0	1,500
Total mayor and council	<u>105,037</u>	<u>105,037</u>	<u>97,696</u>	<u>7,341</u>
City administration:				
Personal services	180,699	186,154	185,259	895
Materials and supplies	5,750	5,750	5,343	407
Services and other charges	54,935	54,935	40,840	14,095
Total city administration	<u>241,384</u>	<u>246,839</u>	<u>231,442</u>	<u>15,397</u>
Community relations:				
Personal services	55,407	56,657	57,050	(393)
Materials and supplies	7,500	7,500	7,894	(394)
Services and other charges	1,000	1,000	1,456	(456)
Total community relations	<u>63,907</u>	<u>65,157</u>	<u>66,400</u>	<u>(1,243)</u>
City planner:				
Personal services	74,817	76,697	79,353	(2,656)
Materials and supplies	550	550	501	49
Services and other charges	5,050	5,050	4,269	781
Total city planner	<u>80,417</u>	<u>82,297</u>	<u>84,123</u>	<u>(1,826)</u>
City clerk:				
Personal services	99,233	101,929	103,475	(1,546)
Materials and supplies	6,000	6,000	4,156	1,844
Services and other charges	12,400	12,400	6,396	6,004
Total city clerk	<u>117,633</u>	<u>120,329</u>	<u>114,027</u>	<u>6,302</u>
City finance:				
Personal services	237,912	243,929	236,149	7,780
Materials and supplies	7,700	7,700	7,743	(43)
Services and other charges	28,440	28,440	24,068	4,372
Total city finance	<u>274,052</u>	<u>280,069</u>	<u>267,960</u>	<u>12,109</u>
Computer:				
Personal services	74,876	89,876	53,702	36,174
Materials and supplies	10,500	10,500	8,425	2,075
Services and other charges	45,829	45,829	78,495	(32,666)
Total computer	<u>131,205</u>	<u>146,205</u>	<u>140,622</u>	<u>5,583</u>
City attorney				
Materials and supplies	1,800	1,800	0	1,800
Services and other charges	220,000	220,000	221,782	(1,782)
Total city attorney	<u>221,800</u>	<u>221,800</u>	<u>221,782</u>	<u>18</u>
City hall:				
Personal services	67,968	70,389	82,246	(11,857)
Materials and supplies	15,000	15,000	11,628	3,372
Services and other charges	115,763	115,763	117,067	(1,304)
Total city hall	<u>198,731</u>	<u>201,152</u>	<u>210,941</u>	<u>(9,789)</u>

City of South St. Paul, Minnesota  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
December 31, 2005

	Budget		Actual	Variance with Final Budget
	Original	Final		
General government (continued):				
Recycling:				
Personal services	\$25,492	\$25,917	\$29,087	(\$3,170)
Materials and supplies	1,000	1,000	872	128
Services and other charges	26,350	26,350	21,996	4,354
Total recycling	<u>52,842</u>	<u>53,267</u>	<u>51,955</u>	<u>1,312</u>
Total general government	<u>1,487,008</u>	<u>1,522,152</u>	<u>1,486,948</u>	<u>35,204</u>
Public safety:				
Police:				
Personal services	2,439,523	2,513,103	2,454,123	58,980
Materials and supplies	40,950	40,950	30,961	9,989
Services and other charges	522,197	523,297	451,278	72,019
Capital outlay	13,500	13,500	5,324	8,176
Total police	<u>3,016,170</u>	<u>3,090,850</u>	<u>2,941,686</u>	<u>149,164</u>
Fire:				
Personal services	1,793,824	1,844,314	1,726,125	118,189
Materials and supplies	47,300	47,300	36,666	10,634
Services and other charges	193,472	193,882	183,510	10,372
Capital outlay	0	11,090	11,090	0
Total fire	<u>2,034,596</u>	<u>2,096,586</u>	<u>1,957,391</u>	<u>139,195</u>
Fire consolidation:				
Personal services	0	5,692	5,692	0
Materials and supplies	0	4,067	4,067	0
Services and other charges	0	11,928	11,928	0
Total fire consolidation	<u>0</u>	<u>21,687</u>	<u>21,687</u>	<u>0</u>
Code enforcement:				
Personal services	203,294	205,154	169,008	36,146
Materials and supplies	3,600	3,600	1,074	2,526
Services and other charges	13,900	13,900	10,789	3,111
Total code enforcement	<u>220,794</u>	<u>222,654</u>	<u>180,871</u>	<u>41,783</u>
Animal control:				
Personal services	18,732	18,732	13,570	5,162
Materials and supplies	500	500	0	500
Services and other charges	12,000	12,000	19,382	(7,382)
Total animal control	<u>31,232</u>	<u>31,232</u>	<u>32,952</u>	<u>(1,720)</u>
Total public safety	<u>5,302,792</u>	<u>5,463,009</u>	<u>5,134,587</u>	<u>328,422</u>
Public works:				
Engineering:				
Personal services	385,267	396,685	378,950	17,735
Materials and supplies	6,700	6,700	5,379	1,321
Services and other charges	48,477	48,477	35,365	13,112
Total engineering	<u>440,444</u>	<u>451,862</u>	<u>419,694</u>	<u>32,168</u>
Public works:				
Personal services	553,208	567,927	542,810	25,117
Materials and supplies	155,800	162,500	198,343	(35,843)
Services and other charges	465,286	465,061	456,002	9,059
Total public works	<u>1,174,294</u>	<u>1,195,488</u>	<u>1,197,155</u>	<u>(1,667)</u>
Total public works	<u>1,614,738</u>	<u>1,647,350</u>	<u>1,616,849</u>	<u>30,501</u>

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
 December 31, 2005

	Budget		Actual	Variance with Final Budget
	Original	Final		
Parks and recreation:				
Administration:				
Personal services	\$291,034	\$314,785	\$294,816	\$19,969
Materials and supplies	8,450	8,450	7,547	903
Services and other charges	27,449	27,449	18,938	8,511
Total administration	<u>326,933</u>	<u>350,684</u>	<u>321,301</u>	<u>29,383</u>
Parks, pools and maintenance operations:				
Personal services	344,225	349,172	385,747	(36,575)
Materials and supplies	69,694	69,694	89,192	(19,498)
Services and other charges	184,228	184,228	165,949	18,279
Total parks, pools and maintenance operations	<u>598,147</u>	<u>603,094</u>	<u>640,888</u>	<u>(37,794)</u>
Total parks and recreation	<u>925,080</u>	<u>953,778</u>	<u>962,189</u>	<u>(8,411)</u>
Contingency	283,800	27,129	0	27,129
<b>Total expenditures</b>	<b><u>9,613,418</u></b>	<b><u>9,613,418</u></b>	<b><u>9,200,573</u></b>	<b><u>412,845</u></b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b><u>(62,000)</u></b>	<b><u>(62,000)</u></b>	<b><u>650,125</u></b>	<b><u>712,125</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	117,200	117,200	117,200	0
Transfers out	<u>(55,200)</u>	<u>(55,200)</u>	<u>(56,420)</u>	<u>(1,220)</u>
<b>Total other financing sources (uses)</b>	<b><u>62,000</u></b>	<b><u>62,000</u></b>	<b><u>60,780</u></b>	<b><u>(1,220)</u></b>
<b>Net change in fund balance</b>	<b>0</b>	<b>0</b>	<b>710,905</b>	<b>710,905</b>
Fund balance - January 1	<u>3,588,092</u>	<u>3,588,092</u>	<u>3,588,092</u>	<u>3,588,092</u>
<b>Fund balance - December 31</b>	<b><u>\$3,588,092</u></b>	<b><u>\$3,588,092</u></b>	<b><u>\$4,298,997</u></b>	<b><u>\$4,298,997</u></b>

The notes to the financial statements are an integral part of this statement.

**AIRPORT****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL**

For the Year Ended December 31, 2005

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental:				
State:				
Airport operations and maintenance	\$29,769	\$29,769	\$29,769	\$0
Total intergovernmental	29,769	29,769	29,769	0
Charges for services:				
Transportation				
Hangar rentals/land leases	243,917	243,917	239,530	(4,387)
Aircraft fuel sales	494,962	494,962	543,898	48,936
Other	3,800	3,800	2,042	(1,758)
Total charges for services	742,679	742,679	785,470	42,791
Miscellaneous:				
Contributions and donations	0	0	200	200
Miscellaneous	0	0	28,846	28,846
Total miscellaneous	0	0	29,046	29,046
<b>Total revenues</b>	<b>772,448</b>	<b>772,448</b>	<b>844,285</b>	<b>71,837</b>
<b>EXPENDITURES</b>				
Transportation:				
Personal services	107,437	109,397	124,522	(15,125)
Materials and supplies	434,559	436,859	503,027	(66,168)
Services and other charges	124,025	124,025	139,765	(15,740)
Capital outlay	19,850	17,550	11,061	6,489
Total transportation	685,871	687,831	778,375	(90,544)
Interest expenditure	40,000	40,000	40,424	(424)
<b>Total expenditures</b>	<b>725,871</b>	<b>727,831</b>	<b>818,799</b>	<b>(90,968)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>46,577</b>	<b>44,617</b>	<b>25,486</b>	<b>(19,131)</b>
<b>Net change in fund balance</b>	<b>46,577</b>	<b>44,617</b>	<b>25,486</b>	<b>(19,131)</b>
Fund balance (deficit) - January 1	(1,077,333)	(1,077,333)	(1,077,333)	0
<b>Fund balance (deficit) - December 31</b>	<b>(\$1,030,756)</b>	<b>(\$1,032,716)</b>	<b>(\$1,051,847)</b>	<b>(\$19,131)</b>

The notes to the financial statements are an integral part of this statement.

City of South St. Paul, Minnesota  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
December 31, 2005

	Business-type Activities			Governmental Activities
	Enterprise Funds			Internal Service Fund
	Water and Sewer	Storm Water Utility	Totals	Central Garage
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$278,759	\$32,942	\$311,701	\$253,712
Investments	967,929	114,382	1,082,311	880,955
Receivables:				
Customers:				
Billed	193,721	19,813	213,534	0
Unbilled	803,828	85,574	889,402	0
Special assessments	182,892	0	182,892	0
Due from other governmental units	3,830	0	3,830	0
Total current assets	<u>2,430,959</u>	<u>252,711</u>	<u>2,683,670</u>	<u>1,134,667</u>
Noncurrent assets:				
Capital assets:				
Land	295,900	0	295,900	0
Buildings and land improvements	1,896,997	0	1,896,997	0
Machinery and equipment	628,073	0	628,073	3,719,557
Infrastructure	8,255,145	9,517,066	17,772,211	0
Less accumulated depreciation	(5,722,252)	(3,041,246)	(8,763,498)	(2,553,964)
Total capital assets (net of accumulated depreciation)	<u>5,353,863</u>	<u>6,475,820</u>	<u>11,829,683</u>	<u>1,165,593</u>
<b>Total assets</b>	<b><u>7,784,822</u></b>	<b><u>6,728,531</u></b>	<b><u>14,513,353</u></b>	<b><u>2,300,260</u></b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	32,270	0	32,270	159,483
Wages and payroll taxes payable	20,416	0	20,416	4,777
Compensated absences	38,638	0	38,638	3,007
Due to other governmental units	122	0	122	0
Unearned revenue	218,940	0	218,940	0
Total current liabilities	<u>310,386</u>	<u>0</u>	<u>310,386</u>	<u>167,267</u>
Noncurrent liabilities:				
Compensated absences	20,952	0	20,952	860
<b>Total liabilities</b>	<b><u>331,338</u></b>	<b><u>0</u></b>	<b><u>331,338</u></b>	<b><u>168,127</u></b>
<b>NET ASSETS</b>				
Net assets, invested in capital assets	5,353,863	6,475,820	11,829,683	1,165,593
Unrestricted	2,099,621	252,711	2,352,332	966,540
<b>Total net assets</b>	<b><u>\$7,453,484</u></b>	<b><u>\$6,728,531</u></b>	<b><u>\$14,182,015</u></b>	<b><u>\$2,132,133</u></b>

The notes to the financial statements are an integral part of this statement.

City of South St. Paul, Minnesota  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
For the Year Ended December 31, 2005

	Business-type Activities Enterprise Funds			Governmental Activities Internal Service Fund
	Water and Sewer	Storm Water Utility	Totals	Central Garage
<b>OPERATING REVENUES</b>				
Customer billings:				
General customers	\$2,034,823	\$336,834	\$2,371,657	\$0
Heavy industry customers	947,199	0	947,199	0
Service charges	200,095	0	200,095	0
Penalties	56,963	4,483	61,446	0
Other charges	45,151	0	45,151	1,881
State surcharges	35,261	0	35,261	0
Equipment rental and repair charges	0	0	0	605,495
<b>Total operating revenues</b>	<b>3,319,492</b>	<b>341,317</b>	<b>3,660,809</b>	<b>607,376</b>
<b>OPERATING EXPENSES</b>				
Personal services:				
Salaries and wages	431,780	0	431,780	97,115
Pension contributions	54,268	0	54,268	12,694
Insurance	64,535	0	64,535	14,897
Total personal services	550,583	0	550,583	124,706
Materials and supplies:				
Maintenance materials	127,529	0	127,529	281,572
Contractual services:				
Sewage disposal - Met Council	1,914,623	0	1,914,623	0
Insurance	24,978	0	24,978	16,016
Professional services	69,514	0	69,514	3,055
Public utility service	142,439	0	142,439	0
Repairs and maintenance	105,016	0	105,016	0
Rentals	103,851	0	103,851	13,327
Communications	20,059	0	20,059	4
Other	114,021	0	114,021	14,708
Total contractual services	2,494,501	0	2,494,501	47,110
Depreciation	182,236	188,090	370,326	267,845
<b>Total operating expenses</b>	<b>3,354,849</b>	<b>188,090</b>	<b>3,542,939</b>	<b>721,233</b>
<b>Operating income (loss)</b>	<b>(35,357)</b>	<b>153,227</b>	<b>117,870</b>	<b>(113,857)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment earnings	41,626	5,097	46,723	39,815
Gain on sale of capital assets	0	0	0	19,392
<b>Total nonoperating revenue (expenses)</b>	<b>41,626</b>	<b>5,097</b>	<b>46,723</b>	<b>59,207</b>
<b>Income before transfers</b>	<b>6,269</b>	<b>158,324</b>	<b>164,593</b>	<b>(54,650)</b>
Transfers in	0	0	0	45,000
Transfers out	0	(55,000)	(55,000)	0
<b>Change in net assets</b>	<b>6,269</b>	<b>103,324</b>	<b>109,593</b>	<b>(9,650)</b>
Total net assets, January 1	7,447,215	6,625,207	14,072,422	2,141,783
<b>Total net assets, December 31</b>	<b>\$7,453,484</b>	<b>\$6,728,531</b>	<b>\$14,182,015</b>	<b>\$2,132,133</b>

The notes to the financial statements are an integral part of this statement.

City of South St. Paul, Minnesota  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended December 31, 2005

	Business-type Activities Enterprise Funds			Governmental Activities
	Water and Sewer	Storm Water Utility	Totals	Internal Service Fund Central Garage
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$3,244,270	\$340,983	\$3,585,253	\$607,376
Payments to suppliers	(2,653,717)	0	(2,653,717)	(184,201)
Payments to employees	(539,236)	0	(539,236)	(123,561)
Net cash provided by operating activities	51,317	340,983	392,300	299,614
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer from other funds	0	0	0	45,000
Transfer to other funds	0	(55,000)	(55,000)	0
Repayment of advance from other funds	0	(1,795)	(1,795)	0
Net cash (used) by noncapital financing activities	0	(56,795)	(56,795)	45,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	0	0	0	(654,071)
Acquisition and construction of capital assets	(161,281)	(141,961)	(303,242)	0
Net cash (used) by capital and related financing activities	(161,281)	(141,961)	(303,242)	(654,071)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment earnings received	41,626	5,097	46,723	39,815
Net cash provided by investing activities	41,626	5,097	46,723	39,815
Net increase (decrease) in cash and cash equivalents	(68,338)	147,324	78,986	(269,642)
Cash and investments - January 1	1,315,026	0	1,315,026	1,404,309
<b>Cash and investments - December 31</b>	<b>\$1,246,688</b>	<b>\$147,324</b>	<b>\$1,394,012</b>	<b>\$1,134,667</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>				
Operating income (loss)	(\$35,357)	\$153,227	117,870	(\$113,857)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	182,236	188,090	370,326	267,845
(Increase) in accounts receivable	(103,289)	(334)	(103,623)	0
(Increase) in due from other governmental units	(3,190)	0	(3,190)	0
Increase (decrease) in accounts payable	(28,498)	0	(28,498)	144,481
Increase in salaries payable	2,010	0	2,010	367
Increase in compensated absences	238	0	238	778
Increase in due to other governmental units	1	0	1	0
Increase in unearned revenue	37,166	0	37,166	0
Total adjustments	86,674	187,756	274,430	413,471
<b>Net cash provided by operating activities</b>	<b>\$51,317</b>	<b>\$340,983</b>	<b>\$392,300</b>	<b>\$299,614</b>

The notes to the financial statements are an integral part of this statement.

City of South St. Paul, Minnesota  
**STATEMENT OF NET ASSETS**  
**FIDUCIARY FUNDS**  
December 31, 2005

---

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$20,495
Investments	73,497
<b>Total assets</b>	<b><u><u>\$93,992</u></u></b>
<b><u>LIABILITIES</u></b>	
Deposits payable	<u>\$93,992</u>
<b>Total liabilities</b>	<b><u><u>\$93,992</u></u></b>

The notes to the financial statements are an integral part of this statement.

**This page intentionally left blank.**

## **Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of South St. Paul was incorporated in 1887 and formed under Minnesota Statute 410. As such, the City is under home rule charter regulations and applicable statutory guidelines. The governing body consists of the mayor and a six-member City Council elected by the voters of the City.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

### **A. REPORTING ENTITY**

The City Council is responsible for directing the affairs of the City. Under the City Charter and/or subsequent ordinances, limited approval for disbursements for library activity is delegated to Council appointed commissions. The City Council appoints members of the various commissions and maintains annual budgetary controls over commission delegated financial activities and all such financial transactions are included in the financial statements. The Housing and Redevelopment Authority is an autonomous unit as described below under related organizations.

As required by generally accepted accounting principles, the financial statements of the reporting entity should include those of the City of South St. Paul and its component units. The City of South St. Paul does not have any component units.

### **B. RELATED ORGANIZATIONS**

The Housing and Redevelopment Authority (HRA) of the City of South St. Paul was created by the City to carry out certain redevelopment projects. The Mayor appoints the governing board for five year terms. However, members of the HRA's governing board may only be removed for cause. The HRA selects management staff, establishes budgets and controls all of its operations. The City provides no funding to the HRA, but the Council reviews and must consent to HRA tax levies. The budgetary approval authority is not substantive and the City cannot significantly influence the programs, projects, activities, or level of service performed by the HRA. The City does not hold title to any of the HRA's assets, nor is it entitled to surpluses of the HRA nor is it obligated for its deficits or debts, so there is no financial benefit or burden relationship.

The City entered into a joint powers agreement with Special School District No. 6 in July of 2000. The agreement provides for the operation of the School District owned Central Square

Community Center building. The City participates as the operator of recreational programs and shares in the net cost of providing those programs. In July 2004, the City took over the fiscal agency under the agreement and is responsible for all financial reporting while the School District remains the owner and operator of the building. The City provides employees to run the recreational programs and is reimbursed by the School District for salary and benefits.

### **C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds report only assets and liabilities and so cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the

current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

General

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue

The Airport Fund accounts for the resources accumulated and payments made for municipal airport operations.

Debt Service

The 1996 Tax Increment Refunding Bonds are to refund the 1990 Tax Increment Improvement Bonds.

Capital Projects

The Special Projects Fund is used to account for funds received for tax levies and occasional surpluses in other funds for capital improvements which are not in the general fund budget. The General Programs Fund is used to finance cash flow needs of other funds and major projects.

The City reports the following major proprietary funds:

The Water and Sewer Utility Fund is used to account for the provision of water and sewer service to properties within the City.

The Storm Water Utility Fund is used to account for activities related to the operation of a surface water collection system for properties within the City.

Additionally, the government reports the following fund types:

Internal Service Fund

The Central Garage accounts for the cost of operating a maintenance facility and providing vehicles and heavy equipment used by all City departments and funds.

Fiduciary Funds

The Housing and Redevelopment Fund accounts for revenues intended for future use by the Housing and Redevelopment Authority and the Landscape/Landfill Fund accounts for the restricted revenues attributable to landfill abatement.

The City's internal service fund is presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

The City's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and/or cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are interfund loans and other charges between the City's various functions. Elimination of these charges would distort the direct costs and program revenues reported from the various functions concerned.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital

assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

## **E. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY**

### **Deposits and Investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Authorized investments are pursuant to applicable Minnesota Statutes including Chapter 118A and the more restrictive City policy. Although the City may legally utilize the full range of investment vehicles, the City's formal investment policy takes a more conservative approach to the selection of actual investments. Maturities of fifteen years are to include only the following, which are considered the safest with the least principal risk:

1. United States Treasury obligations and United States Government Agency securities;
2. Repurchase and reverse repurchase agreements of United States Treasury obligations and United States Government Agency securities;
3. Certificates of deposit up to \$100,000 (federally insured) or properly collateralized if over \$100,000;
4. Prime grade commercial paper (rating of A-1, P-1 or F-1);
5. Banker's acceptances (federal reserve qualified); and
6. Money market funds consisting of one or more of the above.

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Earnings from investments are allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

Investments are stated at fair value based on quoted market prices. All investment income, including changes in the fair value of investments, is reported as revenue. Interest earnings are accrued as of the balance sheet date.

An individual fund's pooled cash and cash investments are available upon demand and are considered to be cash equivalents when preparing these financial statements. Because of the relationship between certain funds, investment income/(expense) is allocated to a single recipient fund as follows:

<u>Associated Fund</u>	<u>Recipient Fund</u>	<u>Income/(Expense)</u>
Library	General	(\$3,077)
Central Square	General	\$866
General Programs	General	\$143,913
Airport Improvements	Airport	(\$2,706)
1995 Improvement Bonds	Special Projects	\$2,455
1993B Refunding Bonds	Tax Increment	(\$4,431)
2004A Refunding Bonds	Tax Increment	(\$980)

**Receivables and Payables**

**Interfund Transactions**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "interfund advance receivable/payable" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

In the fund financial statements, interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reduction of expenditures/expenses in the fund that is reimbursed.

Interfund loans have been established at year-end for those funds with negative balances in the cash and investment pool. The interest rate on these loans is equal to the average interest rate earned in the investment portfolio. The long-term loans are recorded as interfund advance receivable/payable. Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available to appropriation and are not expendable available financial resources.

All other interfund transactions are reported as transfers.

## **Property Taxes**

All trade and property tax receivables are shown at gross amount, since both taxes and trade receivables are assessable to the property owners and are collectible upon sale of the assessed property.

The City Council annually adopts a tax levy and certifies it to the County in December of each year for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Such taxes become a lien on January 1 and are recorded as a receivable by the City as of that date. Real property taxes are payable (by property owners) in May and October of each calendar year. Personal property taxes are payable by taxpayers in February and June of each year. These taxes are collected by the County and remitted to the City three times during the year. In addition, delinquent collections are remitted to the City with each tax settlement. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

The City's property tax revenue includes payments from the Metropolitan Revenue Distribution (Fiscal Disparities Formula) per State Statute 473F. This statute provides a means of spreading a portion of the taxable valuation of commercial/industrial real property to various taxing authorities within the defined metropolitan area. The valuation "shared" is a portion of commercial/industrial property valuation growth since 1971. Receipt of property taxes from this "fiscal disparities pool" does not increase or decrease total tax revenue.

Revenues are accrued and recognized in the government-wide financial statements in the current period. In the fund financial statements, taxes that remain unpaid at December 31 are classified as delinquent taxes and are fully offset by deferred revenues, because it is not known when they will be available to finance current expenditures.

## **Special Assessments**

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with state statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County and remitted to the City in the same manner as property taxes. Property owners are allowed to prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action.

If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale and the first proceeds of that sale (after costs, penalties and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to state statutes, a

property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land, in which event the property is subject to sale after five years.

The City recognizes special assessment revenue in the government-wide financial statements when assessment rolls are levied. In the fund financial statements, the City recognizes special assessment revenue when it becomes both measurable and available. Current assessments, which remain unpaid at December 31, are classified as delinquent receivables and, together with deferred assessments, are fully offset by deferred revenue because it is not known when they will be available to finance current expenditures.

### **Inventories**

The costs of governmental fund-type inventories are recorded as expenditures when purchased, with the exception of the airport fuel inventory, which is valued at cost using the first-in, first-out (FIFO) method.

### **Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2005 are recorded as prepaid items.

### **Capital Assets**

Capital assets, which include land, buildings, equipment, and infrastructure assets (e.g., streets, bridges, distribution systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of at least \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

	<b><u>Years</u></b>
Property, machinery and equipment are	
Land improvements	20
Buildings and building improvements	50
Machinery and equipment	5-20
Vehicles	4-15
Water and sewer distribution	30
Infrastructure	30-50

The City reviews its property for impairment whenever events indicate the decline in service utility of the capital asset is significant in magnitude and the event or change in circumstances is outside the normal cycle of the capital asset.

### **Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation, compensatory time, retirement severance and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay, compensatory time and severance is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### **Long-term Obligations**

In the government-wide financial statements, and proprietary fund-types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

In the fund financial statements, governmental fund-types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Fund Equity**

In the fund financial statements, governmental funds report reservations of the fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

---

**Note 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

The governmental fund balance sheet includes reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. Elements of that reconciliation are detailed as follows:

Long-term liabilities:		
Bonds payable	(\$14,495,000)	
Bond interest payable	(215,820)	
Deferred charges - issuance costs	108,256	
Compensated absences	<u>(581,569)</u>	
Total long-term liabilities		(\$15,184,133)
Internal Service fund:		
Cash and cash equivalents	253,712	
Investments	880,955	
Capital assets (net of depreciations)	1,165,593	
Accounts and salaries payable	(164,260)	
Compensated absences	<u>(3,867)</u>	
Total Internal Service fund		2,132,133
Unearned revenue		2,407,049
Capital assets (net of depreciation)		<u>39,186,285</u>
<b>Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities</b>		<b><u><u>\$28,541,334</u></u></b>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. Elements of that reconciliation are detailed as follows:

Capital outlay:			
Capital outlay		\$1,635,372	
Depreciation expense		(1,798,061)	
Cost of capital assets sold		<u>(198,600)</u>	
Total capital outlay			(\$361,289)
Deferred revenue			(153,721)
Long-term debt:			
Bonds issued	(\$1,510,000)		
Bond principal repayment	<u>6,880,000</u>		
Total bonds		5,370,000	
Accrued interest		76,809	
Deferred charge		16,355	
Compensated absences		<u>(185,341)</u>	
Total long-term debt			5,277,823
Internal Service fund			<u>(9,650)</u>
<b>Total</b>			<b><u>\$4,753,163</u></b>

**Note 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for the General Fund and three of the five Special Revenue Funds. Legally, expenditures are controlled at the departmental level. However, day-to-day administration of the budget is in accordance with the City Council approved “Budget Administration Plan,” a detailed description of the complementary responsibilities of staff and Council. Through this document, as supported by a monthly budget report (including narrative), additional controls are put on overall departmental expenditures as well as certain departmental line items, such as capital outlay. Annual appropriations lapse at fiscal year-end. Financial controls for Debt Service

Funds are achieved through bond indenture provisions. Project-length financial plans are adopted for Capital Project Funds.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is not considered necessary to assure effective budgetary control or to facilitate effective cash management.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits a proposed operating budget to the City Council, which includes proposed expenditures and the means of financing them.
2. Public meetings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through City Council action.
4. Formal budgets are adopted for the General Fund and three Special Revenue Funds. Budget control for Debt Service Funds is achieved through bond indenture provisions. Budgetary control for Capital Project Funds is accomplished through the use of project controls. A financial plan is approved for the Proprietary Funds.
5. Expenditures may not legally exceed budgeted appropriations at the departmental level. However, monitoring of budgets is maintained at the line item level, especially regarding salaries and capital outlay.
6. In accordance with the provisions of the Budget Administration Plan (originally approved in 1995), the City Council must authorize transfers of discretionary budgeted amounts between departments in the General Fund or from the contingency account to departments. Transfers between or among funds are approved by the City Council.

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2005, expenditures exceeded appropriations in the General Fund community relations by \$1,243, city planner by \$1,826, city hall by \$9,789, animal control by \$1,720, public works by \$1,667 and parks, pools and maintenance operations by \$34,794. An excess of revenues over expenditures and other uses funded this over expenditure.

**C. DEFICIT FUND EQUITY**

The City has deficit fund balances at December 31, 2005 as follows:

Special Revenue:	
Airport	\$1,051,847
Wakota Arena	\$72,032
Capital Projects:	
Airport Improvements	\$420,220
2005 Local Improvement	\$14,582

The Airport deficit is caused by planned infrastructure expansion which will produce future revenue. Deficits in the Wakota Arena and the 2005 Local Improvement are expected to be funded with future revenues. The Airport Improvement will be funded by a future loan.

**Note 4 – DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

Cash and investments comprising the City’s cash pool at December 31, 2005 were as follows:

	<u>Fair Value</u>
<b>Cash</b>	
Cash on hand	\$4,300
Cash in banks:	
Bank accounts	406,526
Money manager savings account	137,490
Government money market mutual funds	<u>4,067,030</u>
Total cash	<u>4,615,346</u>
<b>Investments</b>	
U.S. Government securities	15,833,099
Certificates of deposit	<u>194,963</u>
Total investments	<u>16,028,062</u>
<b>Total cash and investments</b>	<b><u>\$20,643,408</u></b>

**Bank Deposits**

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council, all of which are members of the Federal Reserve System.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to the City. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Clerk or in a financial institution other than that furnishing the collateral. As of December 31, 2005 the City's bank balances were covered by insurance or collateral pledged and held in the City's name.

**Investments**

State statutes and the City investment policy authorize the City to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, prime commercial paper, banker's acceptance, and repurchase and reverse purchase agreements.

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's investments at December 31, 2005 are insured or held by the City or its agents in the City's name. The City's investment in money market funds is composed of U.S. Treasury and repurchase agreements which are 102% collateralized by U.S. Government securities.

Investments and maturities of the cash pool at December 31, 2005 are as follows:

Investment Type	Investment Maturities (In Years)				
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. Agency securities	\$15,833,099	\$0	\$495,709	\$6,563,622	\$8,773,768
Certificate of deposits	194,963	100,000	0	0	94,963
Government money market mutual funds	4,067,030	4,067,030	0	0	0
<b>Total investments in cash and investment pool:</b>	<b><u>\$20,095,092</u></b>	<b><u>\$4,167,030</u></b>	<b><u>\$495,709</u></b>	<b><u>\$6,563,622</u></b>	<b><u>\$8,868,731</u></b>

Interest rate risk. The City's investment policy directs the finance director to analyze short and long-term cash flow needs and to determine allowable levels of investments in short-term, intermediate and long-term maturities as a means of managing the City's exposure to fair value losses arising from increasing interest rates.

Credit risk. Minnesota Statutes authorize investments in U.S. Treasuries, U.S. Agencies, state and municipal bonds rated A or better by a national bond rating service, time deposits fully

insured by the FDIC, bankers acceptance, commercial papers rated in the highest quality category by at least two nationally recognized rating agencies and with a maturity of 270 days or less and repurchase agreements. The City's investment policy excludes states and municipal bonds as an allowed investment and limits certain investments in repurchase and reverse repurchase agreements in U.S. Treasury obligations and U.S. Government Agency securities.

Concentration of credit risk. Investments intrinsically carry credit risk and when investments are concentrated in one issuer this concentration presents a heightened risk of potential loss. Although there is no percentage that identifies when concentration risk is present, GASB recommends disclosure of investments in issuers representing more than 5% of the total investment portfolio. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded. The following is the percent of total investments by issuer as of December 31, 2005:

Investment Issuer	<u>Fair Value</u>	<u>% of Total Investments</u>
FHLMC	\$4,517,269	28.2%
FHLB	\$7,233,829	45.1%
FNMA	\$4,082,001	25.5%
Bremer Bank, N.A.	\$100,000	0.6%
Bank Hapoalim B.M.	\$94,963	0.6%
<b>Total investments</b>	<b><u>\$16,028,062</u></b>	

**B. RECEIVABLES**

Receivables as of year-end for the City's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate are as follows:

	<u>General</u>	<u>Airport</u>	<u>Special Projects</u>	<u>General Programs</u>
Receivables:				
Accrued interest	\$0	\$0	\$0	\$228,681
Accounts	237,378	78,331	0	0
Taxes	609,134	0	10	0
Special assessments	5,061	0	108,156	0
Due from other governmental units	13,626	0	0	0
<b>Total receivables</b>	<b><u>\$865,199</u></b>	<b><u>\$78,331</u></b>	<b><u>\$108,166</u></b>	<b><u>\$228,681</u></b>

	<u>Nonmajor Governmental Funds</u>	<u>Water and Sewer</u>	<u>Storm Water Utility</u>	<u>Total</u>
Receivables:				
Accrued interest	\$0	\$0	\$0	\$228,681
Accounts	42,056	997,549	105,387	1,460,701
Taxes	71,166	0	0	680,310
Special assessments	2,169,504	182,892	0	2,465,613
Due from other governmental units	617,111	3,830	0	634,567
<b>Total receivables</b>	<b><u>\$2,899,837</u></b>	<b><u>\$1,184,271</u></b>	<b><u>\$105,387</u></b>	<b><u>\$5,469,872</u></b>

Governmental and certain proprietary funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the components of deferred revenue and unearned revenue reported in the funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Taxes receivable	\$151,317	\$0
Special assessments delinquent	37,906	0
Special assessments deferred	2,101,999	0
Special assessments special deferred	123,204	0
Due from other governmental units	563,061	0
Barge lease	0	38,889
Service availability charges	0	218,100
	<b><u>\$2,977,487</u></b>	<b><u>\$256,989</u></b>

City of South St. Paul, Minnesota  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2005

**C. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance December 31, 2004	Additions & Adjustments	Deletions	Balance December 31, 2005
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$10,050,935	\$0	(\$198,600)	\$9,852,335
Construction in process	0	721,882	0	721,882
Total capital assets, not being depreciated	10,050,935	721,882	(198,600)	10,574,217
Capital assets, being depreciated:				
Buildings and structures	11,246,986	0	0	11,246,986
Infrastructure	53,300,067	889,581	(101,697)	54,087,951
Machinery and equipment:	5,613,807	712,632	(173,037)	6,153,402
Total capital assets, being depreciated	70,160,860	1,602,213	(274,734)	71,488,339
Less accumulated depreciation for:				
Buildings and structures	(4,944,678)	(269,191)	0	(5,213,869)
Infrastructure	(30,969,949)	(1,379,940)	101,697	(32,248,192)
Machinery and equipment:	(3,989,619)	(416,775)	157,777	(4,248,617)
Total accumulated depreciation	(39,904,246)	(2,065,906)	259,474	(41,710,678)
Total capital assets, being depreciated, net	30,256,614	(463,693)	(15,260)	29,777,661
<b>Governmental activities capital assets, net</b>	<b>\$40,307,549</b>	<b>\$258,189</b>	<b>(\$213,860)</b>	<b>\$40,351,878</b>

City of South St. Paul, Minnesota  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2005

	Balance December 31, 2004	Additions & Adjustments	Deletions	Balance December 31, 2005
<b>Business-type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$295,900	\$0	\$0	\$295,900
Construction in process	0	0	0	0
Total capital assets, not being depreciated	295,900	0	0	295,900
Capital assets, being depreciated:				
Buildings and structures	1,896,997	0	0	1,896,997
Infrastructure	17,505,228	303,242	(36,259)	17,772,211
Machinery and equipment:	628,073	0	0	628,073
Total capital assets, being depreciated	20,030,298	303,242	(36,259)	20,297,281
Less accumulated depreciation for:				
Buildings and structures	(1,071,638)	(77,344)	0	(1,148,982)
Infrastructure	(6,857,689)	(318,327)	36,259	(7,139,757)
Machinery and equipment:	(500,104)	(12,603)	37,948	(474,759)
Total accumulated depreciation	(8,429,431)	(408,274)	74,207	(8,763,498)
Total capital assets, being depreciated, net	11,600,867	(105,032)	37,948	11,533,783
<b>Business-type activities capital assets, net</b>	<b>\$11,896,767</b>	<b>(\$105,032)</b>	<b>\$37,948</b>	<b>\$11,829,683</b>

City of South St. Paul, Minnesota  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2005

Depreciation expense was charged to functions/programs of the City as follows:

<b>Governmental activities:</b>		
General government		\$60,100
Public safety		28,701
Public works		872,737
Parks, Arena, Library		241,947
Transportation		594,576
Capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets		<u>267,845</u>
<b>Total depreciation expenses - governmental activities</b>		<b><u>\$2,065,906</u></b>
<b>Business-type activities:</b>		
Water and sewer		\$182,236
Storm water		<u>188,090</u>
<b>Total depreciation expense - business-type activities</b>		<b><u>\$370,326</u></b>

**D. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances at December 31, 2005 is as follows:

<u>Interfund Advance Receivable</u>	<u>Interfund Advance Payable</u>	<u>Amount</u>
General Programs	Airport	<u>\$1,150,733</u>
	Nonmajor Governmental Funds:	
General Programs	Wakota Arena	44,500
General Programs	Airport Improvements	<u>403,216</u>
	Sub-total Nonmajor Governmental Funds	<u>447,716</u>
<b>Total</b>		<b><u>\$1,598,449</u></b>

The outstanding balances between funds result from interfund advances made by the General Programs Fund to other governmental and business-type funds, which had a cash deficit at year-end. The amount of the interfund advance is equal to the cash deficit. The associated transfers are pursuant to City Council policy.

City of South St. Paul, Minnesota  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2005

	<u>Transfers in:</u>		
	<u>General</u>	<u>Special Projects</u>	<u>1996 Tax Increment Refunding Bonds</u>
<b>Transfers out:</b>			
General	\$0	\$0	\$0
Special Projects	0	0	0
Nonmajor Governmental Funds	62,200	2,067,758	673,962
Storm Water	55,000	0	0
<b>Total</b>	<b><u>\$117,200</u></b>	<b><u>\$2,067,758</u></b>	<b><u>\$673,962</u></b>

	<u>Transfers in:</u>		
	<u>Nonmajor Governmental Funds</u>	<u>Central Garage</u>	<u>Total</u>
<b>Transfers out:</b>			
General	\$56,420	\$0	\$56,420
Special Projects	332,012	0	332,012
Nonmajor Governmental Funds	1,025,921	45,000	3,874,841
Storm Water	0	0	55,000
<b>Total</b>	<b><u>\$1,414,353</u></b>	<b><u>\$45,000</u></b>	<b><u>\$4,318,273</u></b>

Transfers were made for a variety of purposes as explained below:

The General Fund transfers were made to two funds for operating purposes pursuant to Council approved budgets.

The Special Projects transfer was to provide funding for the City Hall Renovation, 2004 and 2005 Local Improvement street projects and Regional Trail.

The Regional Trail has been used to record the liability to Dakota County associated with the advance of funds to construct a portion of the regional trail system some years ago. In 2005, the State granted money to Dakota County, which satisfied the loan and eliminated the liability and as the fund is no longer needed it was closed in 2005.

Donations/Grants transfer to provide funding for Special Projects.

Wakota Arena transfers included \$45,000 as a budgetary transfer to Central Garage for the purchase of a zamboni and two payments to debt service funds to cover debt service payments.

The 1993 Improvement Bonds transfer to Wakota Arena was to fund the December 31, 2004 cash deficit and to close the debt service fund to Special Projects.

Transfers were to close the 1995A Improvement Bonds, Wilson Site Development and Southview/52 Development funds to Special Projects. Wilson Site Development transfer of \$646,608 represents \$291,000 excess proceeds from the sale of lots over the cost of developing the property, \$355,000 of Wentworth Site Development closed to this fund in 2001 and a payment of \$200,000 to the South St. Paul Housing and Redevelopment Authority for the Rediscover SSP program. Southview/52 Development transfer represents the excess of proceeds from the sale of property over the cost of developing and selling the property. The sale of property was completed and the fund closed.

The Tax Increment transfer to the General Fund represented a share of planning related costs and the transfers to the 1993B Refunding Park Bonds and 2004A Refunding Bonds matched the required debt service payments. The 1996 Tax Increment Refunding Bonds were closed to the Tax Increment Fund.

The Local Improvement transfer to Special Projects was to provide funding for future capital improvements.

The 2004 Local Improvement financed the assessed portion of the 2004 street projects. The balance of \$97,197 represents unused bond proceeds and so the fund was closed to the corresponding 2005A Improvement Bonds.

A budgetary transfer was made from the Storm Water Utility fund to reimburse the General Fund for storm sewer maintenance costs.

## **E. LONG-TERM DEBT**

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and to refund other general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

The following debt service account for the accumulation of resources and payment of bond principal and interest and related costs on the following three categories of general long-term debt.

**Tax Increment Financing** – used to account for the payment of principal and interest on bonds issued to fund the costs of improvement projects. Debt Service is funded primarily from tax increment generated from the Concord Street Redevelopment Project No. 1.

**Special Assessment Financing** – used to account for the payment of principal and interest on bonds issued to fund the costs of constructing improvements benefiting specified properties in the City. Benefited properties are then assessed the share of the project costs and repay these assessments over a specified period of time at a stated interest rate.

**General Purpose Financing** – used to accumulate monies from property taxes for payment of general obligation bonds, which have been issued, to finance projects and other costs which have not been assessed against benefiting properties.

Bonds outstanding at December 31, 2005 are as follows:

	<u>Maturities</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance December 31</u>
<b>General Obligation Debt:</b>				
Tax Increment Bonds	2005 - 2009	2.75%	\$4,320,000	\$4,320,000
Special Assessment Bonds	2008 - 2016	1.90 - 5.40%	11,420,000	6,015,000
General Obligation Bonds	2010 - 2021	2.00 - 5.50%	<u>5,035,000</u>	<u>4,160,000</u>
<b>Total Bonds Payable</b>			<b><u>\$20,775,000</u></b>	<b><u>\$14,495,000</u></b>

Complete details of each outstanding bond issue can be found as supplementary information under the titles of “Combined Schedule of Indebtedness” (pages 98 - 99) and “Schedule of Debt Service Payments to Maturity” (pages 100 - 105). Based on the size and timing of the bond issues, Federal arbitrage regulations do not apply.

City of South St. Paul, Minnesota  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2005

Annual debt service requirements to maturity for general obligation bonds for governmental activities are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2006	\$1,480,000	\$506,582
2007	2,645,000	459,481
2008	2,680,000	370,894
2009	2,435,000	286,323
2010	955,000	206,938
Sub-Total	10,195,000	1,830,218
2011 - 2015	2,820,000	628,378
2016 - 2020	1,295,000	193,857
2021	185,000	5,088
<b>Totals</b>	<b><u>\$14,495,000</u></b>	<b><u>\$2,657,541</u></b>

Changes in long-term liabilities during 2005 are summarized as follows:

	<u>Balance January 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31</u>	<u>Due/Called Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
Tax Increment	\$9,505,000	\$0	\$5,185,000	\$4,320,000	\$200,000
Special Assessment	5,945,000	1,510,000	1,440,000	6,015,000	1,005,000
General Obligation	4,415,000	0	255,000	4,160,000	275,000
Plus deferred amounts:					
For issuance premium	882	0	192	690	192
Total bonds payable	19,865,882	1,510,000	6,880,192	14,495,690	1,480,192
Soil remediation liability	0	90,000	0	90,000	90,000
Compensated absences payable	399,317	192,252	6,133	585,436	262,435
<b>Governmental activity long-term liabilities</b>	<b><u>\$20,265,199</u></b>	<b><u>\$1,792,252</u></b>	<b><u>\$6,886,325</u></b>	<b><u>\$15,171,126</u></b>	<b><u>\$1,832,627</u></b>
<b>Business-type activities:</b>					
Compensated absences payable	\$50,253	\$11,995	\$2,658	\$59,590	\$38,638
<b>Business-type activity long-term liabilities</b>	<b><u>\$50,253</u></b>	<b><u>\$11,995</u></b>	<b><u>\$2,658</u></b>	<b><u>\$59,590</u></b>	<b><u>\$38,638</u></b>

On January 5, 2005, the City issued \$920,000 General Obligation Improvement Bonds, Series 2005A with interest and rates ranging between 2.15% and 3.70%. The first interest payment on the bonds was August 1, 2005, and will be made semi-annually on February 1 and August 1. Principal on the bonds will be due on February 1 in the years 2006 through 2015. The City issued the bonds for the purpose of financing the 2004 street reconstruction. The City's intent is

to use the special assessments levied for collection in the years 2005 through 2014, at a rate of 7.00% against the benefiting property owners for 100% payment of this bond issue.

On December 27, 2005, the City issued \$590,000 General Obligation Improvement Bonds, Series 2005B with interest and rates ranging between 3.30% and 4.15%. The first interest payment on the bonds will be August 1, 2006, and will be made semiannually on February 1 and August 1. Principal on the bonds will be due on February 1 in the years 2007 through 2016. The City issued the bonds for the purpose of financing the 2005 street reconstruction. The City's intent is to use the special assessments levied for collection in the years 2006 through 2015, at a rate of 7.00% against the benefiting property owners for 100% payment of this bond issue.

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$3,867 of internal service funds compensated absences are included in the above amounts. The City has liquidated compensated absences based upon the fund and department to which employees salaries are charged including the General Fund, Library, Wakota Arena, Airport and Central Garage.

## **Note 5 – OTHER INFORMATION**

### **A. PENSION PLANS**

#### **Defined Benefit Pension Plans**

##### **Plan Description**

All full-time and certain part-time employees of the City of South St. Paul are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF.

The South St. Paul Firefighter's Relief Association and the South St. Paul Police Relief Association elected to join with the Public Employees Police and Fire Consolidation Fund (PFCF) effective February 1, 1994 and May 30, 1997, respectively. Pursuant to a change in Minnesota State legislation effective on July 1, 1999, the PFCF merged into PEPFF. Accordingly, the South St. Paul Fire Consolidation Account and the South St. Paul Police Consolidation Account were terminated. All of the members and their associated assets and accrued benefits were transferred to PERA's Police and Fire Fund. Since the South St. Paul Fire

and South St. Paul Police consolidation accounts were not fully funded, the City will be required to make annual additional municipal contributions of \$224,204 and \$106,261, respectively, until January 2009.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and for PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the internet at [www.mnpera.com](http://www.mnpera.com), by writing to PERA at 60 Empire Drive, #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

### **Funding Policy**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 5.10%, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan will increase in 2006 to 5.5%. PEPFF members were required to contribute 6.20% of their annual covered salary in 2005. that rate will increase to 7.0% in 2006. The City of South St. Paul is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 5.53% for Coordinated Plan PERF members, and 9.30% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.0% and 10.5% respectively, effective January 1, 2006. The City's contributions to the Public Employees Retirement Fund (PERF) for the years ended December 31, 2005, 2004, and 2003 were \$165,153, \$151,893 and \$149,065, respectively. The City's contributions to the Public Employees Police & Fire Fund (PEPFF) for the years ended December 31, 2005, 2004, and 2003 were \$257,477, \$257,267, and \$250,781, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

### **Defined Contribution Plan**

Four council members of the City of South St. Paul are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and four-tenths of one percent of the assets in each member's account annually.

Total contributions made by the City of South St. Paul during fiscal year 2005 were:

Amount		Percentage of Covered Payroll		Required Rates
Employees	Employer	Employees	Employer	
\$1,188	\$1,188	5.00%	5.00%	5.00%

**B. POST-EMPLOYMENT BENEFITS**

The City of South St. Paul provides post-employment comprehensive (HMO) health care benefits to qualifying retirees equal to the benefits they would receive were they still City employees. The split of premium costs between the City and retirees are pursuant to the specific terms of the City's five bargaining unit agreements. The City cost is on a pay-as-you-go basis and is budgeted to the appropriate fund and paid from the former home base of the retired employee. Twenty-five employees are currently eligible. The City cost of this benefit in 2005 was \$155,470.

**C. TAX INCREMENT DISTRICTS**

The City of South St. Paul is the administering authority for the following Tax Increment District:

**Concord Street Redevelopment Project**

Authorized per MS 462.585; established in 1973 with a duration until 2009. Tax capacity value for taxes collectible 2005:

Current tax capacity value	\$1,710,865
Less original tax capacity value	<u>317,558</u>
<b>Value retained by authority</b>	<b><u><u>\$1,393,307</u></u></b>

City of South St. Paul, Minnesota  
**NOTES TO FINANCIAL STATEMENTS**  
 December 31, 2005

---

Related bonded indebtedness is as follows:

	<b>G.O. Refunding Bonds, Series 1993B</b>	<b>G.O. Refunding Bonds of 1996</b>	<b>G.O. Refunding Bonds, Series 2004A</b>	<b>Total</b>
Date of issue	06/29/93	12/19/96	12/28/04	
Bonds issued	\$4,045,000	\$5,230,000	\$4,320,000	\$13,595,000
Bonds retired	<u>4,045,000</u>	<u>5,230,000</u>	<u>0</u>	<u>9,275,000</u>
<b>Bonds outstanding, December 31, 2005</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$4,320,000</u></b>	<b><u>\$4,320,000</u></b>

**D. FUND CHANGES**

The following funds were opened in 2005:

**Debt Service Funds**

2004A Refunding Bonds  
 2005B Improvement Bonds

**Capital Project Funds**

City Hall Renovation

The following funds were closed in 2005:

**Debt Service Funds**

1993 Improvement Bonds  
 1995A Improvement Bonds  
 1996 Tax Increment Refunding Bonds

**Capital Project Funds**

Regional Trail  
 Wilson Site Development  
 Southview/52 Development  
 2004 Local Improvement

**E. FEDERALLY ASSISTED PROGRAMS – COMPLIANCE AUDITS**

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2005.

**F. CONTINGENT LIABILITIES**

The City is the defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**G. SUBSEQUENT EVENTS**

In 2006, the State of Minnesota Sales and Use Tax Division contacted the City to schedule a sales and use tax audit. It is expected that the results of the audit will not have a material adverse effect on the financial condition of the City.

**H. RISK MANAGEMENT**

The City is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchased various insurance coverage (general liability, excess liability, workers compensation, property, automobile, marine, crime, employee dishonesty, petro fund and open meeting law) through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities. The City pays an annual premium to the LMCIT for its insurance coverage. Liability insurance provides for coverage for \$1,000,000 per occurrence. The LMCIT is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The LMCIT allows the pool to make additional assessments to make the pool self-sustaining. The City has also purchased commercial boiler insurance. Current state statutes (Minnesota Statutes subd. 466.04) provide limits of liability for certain kinds of claims. The amount of settlements have not exceeded insurance coverage in any of the past three fiscal years.

---

## **NON-MAJOR FUNDS**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for particular purposes. The City maintains the following special revenue funds:

**Donations/Grants** - used to account for grants, forfeited property from criminal drug related activity and other dedicated revenue sources.

**Library** - used to account for revenues and related expenditures for library operations.

**Wakota Arena** - used to account for revenues and expenditures for municipal arena operations.

**Central Square** - used to account for revenues and expenditures for Central Square operations.

### **DEBT SERVICE FUNDS**

The debt service funds account for the accumulation of resources and payment of bond principal and interest and related costs on general long-term debt.

**Tax Increment Financing** - used to account for the payment of principal and interest on bonds issued to fund the costs of improvement projects. Debt Service is funded from tax increment generated from the Concord Street Redevelopment Project No. 1.

**1993 B Refunding Bonds** - retired in 1995 and fund closed

**2004 A Refunding Bonds** - to refund the 1996 TIF Refunding Bonds.

**General Purpose Financing** - used to accumulate monies from property taxes for payment of general obligation bonds which have been issued to finance projects and other costs which have not been assessed against benefitting properties.

**1995B Refunding Park Bonds** - issued to provide funds to refund the 1997 through 2011 maturities of the G.O. Park Bonds dated December 16, 1990 which were issued for the purpose of improving existing City parks.

**2000 General Obligation Bonds** - issued for the purpose of financing the one-time cost of a negotiated judgement with a property developer in an adjoining city.

**2003B Arena Revenue Refunding Bonds** - issued to provide funds to refund the 1997A Arena Revenue Bonds 2004-2018 maturities. The 1997A Bonds financed construction a second sheet of ice at the City's Wakota Arena. Wakota.

**Special Assessment Financing** - used to account for the payment of principal and interest on bonds issued to fund the costs of constructing improvements benefitting specified properties in the City. Benefitted properties are then assessed the share of the project costs and repay these assessments over a specified period of time at a stated interest rate.

**1993 and 1995 A Improvement Bonds** - issued primarily for sanitary sewer separation and street reconstruction. 1993 and 1995A Improvement Bonds were called for early redemption and retired in 2005.

**1994 through 2005 Improvement Bonds** - issued primarily for alley and street reconstruction.

**CAPITAL PROJECT FUNDS**

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

**Municipal State Aid** - used to account for the City's allocation of State collected highway user tax for Minnesota State Aid (MSA) designated road construction.

**Airport Improvements** - used to account for revenues and expenditures for airport improvements.

**Floodwall Construction** - used to account for revenues and expenditures for floodwall improvements.

**City Hall Renovation** - created in late 2005 to account for a \$9,000,000 expansion and upgrade of the fifty year old City Hall.

**Tax Increment** - used to account for property tax revenues from tax increment. These revenues are used by the City and the South St. Paul Housing and Redevelopment Authority to promote industrial, commercial and economic development.

**Equipment Acquisition** - used to account for the acquisition of equipment related to computer technology.

**Regional Trail** - used to account for an outstanding loan from Dakota County related to development of trails and a pedestrian overpass along the Mississippi River. The loan was satisfied in 2005 and the fund was closed.

**Wilson Site Development and Southview/52 Development** - these two funds are used to account for the acquisition, development and sale of surplus vacant property in various areas of the City. They were closed in 2005.

**Local Improvement** - this fund is used to account for sidewalk repairs.

**2004 and 2005 Local Improvement** - used to account for reconstruction of streets. These funds are typically viable for two years. The 2004 Improvement Fund was closed at year-end.

City of South St. Paul, Minnesota  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
December 31, 2005

	<u>Special Revenue</u>		
	<u>Donations/ Grants</u>	<u>Library</u>	<u>Wakota Arena</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$21,531	\$6,508	\$0
Investments	74,762	22,597	0
Receivables:			
Accounts	0	0	42,056
Taxes:			
Delinquent	0	11,816	0
Due from county	0	3,784	0
Special assessments:			
Delinquent	0	0	0
Deferred	0	0	0
Due from county	0	0	0
Due from other governmental units	2,169	0	0
<b>Total assets</b>	<b><u>\$98,462</u></b>	<b><u>\$44,705</u></b>	<b><u>\$42,056</u></b>
<b>LIABILITIES</b>			
Accounts, salaries and contracts payable	\$2,878	\$32,854	\$69,588
Due to other governmental units	0	35	0
Interfund advance payable	0	0	44,500
Deferred revenue	0	11,816	0
<b>Total liabilities</b>	<b><u>2,878</u></b>	<b><u>44,705</u></b>	<b><u>114,088</u></b>
<b>FUND BALANCES</b>			
Reserved for debt retirement	0	0	0
Unreserved, designated for:			
Future projects	95,584	0	0
Unreserved, undesignated for:			
Special revenue funds	0	0	(72,032)
Debt service funds	0	0	0
Capital project funds	0	0	0
<b>Total fund balances</b>	<b><u>95,584</u></b>	<b><u>0</u></b>	<b><u>(72,032)</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$98,462</u></b>	<b><u>\$44,705</u></b>	<b><u>\$42,056</u></b>

Central Square	Total	Debt Service		General Purpose Financing	
		Tax Increment		1995B Refunding Park Bonds	2000 General Oblig. Bonds
		1993B Refunding Bonds	2004A Refunding Bonds		
\$8,517	\$36,556	\$0	\$0	\$46,698	\$44,717
29,575	126,934	0	0	162,149	155,269
0	42,056	0	0	0	0
0	11,816	0	0	2,171	4,626
0	3,784	0	0	677	1,439
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	2,169	0	0	0	0
<b>\$38,092</b>	<b>\$223,315</b>	<b>\$0</b>	<b>\$0</b>	<b>\$211,695</b>	<b>\$206,051</b>
\$10,229	\$115,549	\$0	\$0	\$0	\$0
0	35	0	0	0	0
0	44,500	0	0	0	0
0	11,816	0	0	2,171	4,626
<b>10,229</b>	<b>171,900</b>	<b>0</b>	<b>0</b>	<b>2,171</b>	<b>4,626</b>
0	0	0	0	209,524	201,425
0	95,584	0	0	0	0
27,863	(44,169)	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<b>27,863</b>	<b>51,415</b>	<b>0</b>	<b>0</b>	<b>209,524</b>	<b>201,425</b>
<b>\$38,092</b>	<b>\$223,315</b>	<b>\$0</b>	<b>\$0</b>	<b>\$211,695</b>	<b>\$206,051</b>

City of South St. Paul, Minnesota  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
December 31, 2005

	<u>Debt Service</u>		
	<u>Gen. Purpose</u>	<u>Special Assessment Financing</u>	
	2003B	1993	1994
	<u>Arena Revenue</u>	<u>Improvement</u>	<u>Improvement</u>
	<u>Bonds</u>	<u>Bonds</u>	<u>Bonds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$0	\$0	\$15,193
Investments	0	0	52,752
Receivables:			
Accounts	0	0	0
Taxes:			
Delinquent	0	0	1,343
Due from county	0	0	427
Special assessments:			
Delinquent	0	0	620
Deferred	0	0	1,575
Due from county	0	0	0
Due from other governmental units	0	0	0
<b>Total assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$71,910</b>
<b>LIABILITIES</b>			
Accounts, salaries and contracts payable	\$0	\$0	\$0
Due to other governmental units	0	0	0
Interfund advance payable	0	0	0
Deferred revenue	0	0	3,538
<b>Total liabilities</b>	<b>0</b>	<b>0</b>	<b>3,538</b>
<b>FUND BALANCES</b>			
Reserved for debt retirement	0	0	68,372
Unreserved, designated for:			
Future projects	0	0	0
Unreserved, undesignated for:			
Special revenue funds	0	0	0
Debt service funds	0	0	0
Capital project funds	0	0	0
<b>Total fund balances</b>	<b>0</b>	<b>0</b>	<b>68,372</b>
<b>Total liabilities and fund balances</b>	<b>\$0</b>	<b>\$0</b>	<b>\$71,910</b>

<b>1995A Improvement Bonds</b>	<b>1997B Improvement Bonds</b>	<b>1998 Improvement Bonds</b>	<b>1998B Improvement Bonds</b>
\$0	\$202,524	\$65,631	\$60,590
0	703,220	227,888	210,386
0	0	0	0
0	0	0	0
0	0	0	0
0	11,565	2,379	1,226
0	107,961	48,984	110,291
0	741	251	72
0	0	0	0
<b>\$0</b>	<b>\$1,026,011</b>	<b>\$345,133</b>	<b>\$382,565</b>
\$0	\$0	\$0	\$0
0	0	0	0
0	0	0	0
0	119,526	51,363	111,517
<b>0</b>	<b>119,526</b>	<b>51,363</b>	<b>111,517</b>
0	644,850	271,341	271,048
0	0	0	0
0	0	0	0
0	261,635	22,429	0
0	0	0	0
<b>0</b>	<b>906,485</b>	<b>293,770</b>	<b>271,048</b>
<b>\$0</b>	<b>\$1,026,011</b>	<b>\$345,133</b>	<b>\$382,565</b>

City of South St. Paul, Minnesota  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
December 31, 2005

	<b>Debt Service</b>		
	<b>Special Assessment Financing</b>		
	<b>1999</b>	<b>2000B</b>	<b>2001</b>
	<b>Improvement</b>	<b>Improvement</b>	<b>Improvement</b>
	<b>Bonds</b>	<b>Bonds</b>	<b>Bonds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$68,587	\$134,446	\$86,966
Investments	238,152	466,835	301,968
Receivables:			
Accounts	0	0	0
Taxes:			
Delinquent	0	0	0
Due from county	0	0	0
Special assessments:			
Delinquent	2,765	3,549	3,821
Deferred	106,374	146,599	208,030
Due from county	1,388	1,835	2,415
Due from other governmental units	0	0	0
<b>Total assets</b>	<b>\$417,266</b>	<b>\$753,264</b>	<b>\$603,200</b>
<b>LIABILITIES</b>			
Accounts, salaries and contracts payable	\$0	\$0	\$0
Due to other governmental units	0	0	0
Interfund advance payable	0	0	0
Deferred revenue	109,139	150,148	211,851
<b>Total liabilities</b>	<b>109,139</b>	<b>150,148</b>	<b>211,851</b>
<b>FUND BALANCES</b>			
Reserved for debt retirement	308,127	603,116	391,349
Unreserved, designated for:			
Future projects	0	0	0
Unreserved, undesignated for:			
Special revenue funds	0	0	0
Debt service funds	0	0	0
Capital project funds	0	0	0
<b>Total fund balances</b>	<b>308,127</b>	<b>603,116</b>	<b>391,349</b>
<b>Total liabilities and fund balances</b>	<b>\$417,266</b>	<b>\$753,264</b>	<b>\$603,200</b>

2002 Improvement Bonds	2003A Improvement Bonds	2005A Improvement Bonds	2005B Improvement Bonds	Total
\$73,372	\$152,561	\$126,938	\$38,252	\$1,116,475
254,766	529,732	440,762	132,820	3,876,699
0	0	0	0	0
0	0	0	0	8,140
0	0	0	0	2,543
2,354	5,018	1,761	0	35,058
198,719	407,497	380,670	395,990	2,112,690
1,172	1,110	6,387	0	15,371
0	0	0	0	0
<b>\$530,383</b>	<b>\$1,095,918</b>	<b>\$956,518</b>	<b>\$567,062</b>	<b>\$7,166,976</b>
\$0	\$0	\$0	\$0	\$0
0	0	0	0	0
0	0	0	0	0
201,073	412,514	382,431	395,990	2,155,887
<b>201,073</b>	<b>412,514</b>	<b>382,431</b>	<b>395,990</b>	<b>2,155,887</b>
329,310	683,404	574,087	171,072	4,727,025
0	0	0	0	0
0	0	0	0	0
0	0	0	0	284,064
0	0	0	0	0
<b>329,310</b>	<b>683,404</b>	<b>574,087</b>	<b>171,072</b>	<b>5,011,089</b>
<b>\$530,383</b>	<b>\$1,095,918</b>	<b>\$956,518</b>	<b>\$567,062</b>	<b>\$7,166,976</b>

City of South St. Paul, Minnesota  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
December 31, 2005

	<u>Capital Projects</u>		
	<u>Municipal State Aid</u>	<u>Airport Improvements</u>	<u>Floodwall Construction</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$1,836	\$0	\$46,236
Investments	6,375	0	160,546
Receivables:			
Accounts	0	0	0
Taxes:			
Delinquent	0	0	0
Due from county	0	0	0
Special assessments:			
Delinquent	0	0	0
Deferred	0	0	0
Due from county	0	0	0
Due from other governmental units	563,061	51,881	0
<b>Total assets</b>	<b><u>\$571,272</u></b>	<b><u>\$51,881</u></b>	<b><u>\$206,782</u></b>
<b><u>LIABILITIES</u></b>			
Accounts, salaries and contracts payable	\$0	\$68,885	\$0
Due to other governmental units	0	0	0
Interfund advance payable	0	403,216	0
Deferred revenue	563,061	0	0
<b>Total liabilities</b>	<b><u>563,061</u></b>	<b><u>472,101</u></b>	<b><u>0</u></b>
<b><u>FUND BALANCES</u></b>			
Reserved for debt retirement	0	0	0
Unreserved, designated for:			
Future projects	8,211	0	206,782
Unreserved, undesignated for:			
Special revenue funds	0	0	0
Debt service funds	0	0	0
Capital project funds	0	(420,220)	0
<b>Total fund balances</b>	<b><u>8,211</u></b>	<b><u>(420,220)</u></b>	<b><u>206,782</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$571,272</u></b>	<b><u>\$51,881</u></b>	<b><u>\$206,782</u></b>

<u>City Hall Renovation</u>	<u>Tax Increment</u>	<u>Equipment Acquisition</u>	<u>Regional Trail</u>	<u>Wilson Site Development</u>	<u>Southview/52 Development</u>
\$15,039	\$124,961	\$79,326	\$0	\$0	\$0
52,219	433,898	275,441	0	0	0
0	0	0	0	0	0
0	35,116	0	0	0	0
0	9,767	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<b>\$67,258</b>	<b>\$603,742</b>	<b>\$354,767</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
\$67,258	\$39,075	\$1,051	\$0	\$0	\$0
0	0	0	0	0	0
0	0	0	0	0	0
0	35,116	0	0	0	0
<b>67,258</b>	<b>74,191</b>	<b>1,051</b>	<b>0</b>	<b>0</b>	<b>0</b>
0	0	0	0	0	0
0	529,551	353,716	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<b>0</b>	<b>529,551</b>	<b>353,716</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>\$67,258</b>	<b>\$603,742</b>	<b>\$354,767</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

City of South St. Paul, Minnesota  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
December 31, 2005

<u>Capital Projects</u>			
	<u>Local Improvement</u>	<u>2004 Local Improvement</u>	<u>2005 Local Improvement</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$24,108	\$0	\$16,611
Investments	83,709	0	57,680
Receivables:			
Accounts	0	0	0
Taxes:			
Delinquent	0	0	0
Due from county	0	0	0
Special assessments:			
Delinquent	1,832	0	0
Deferred	4,532	0	0
Due from county	21	0	0
Due from other governmental units	0	0	0
<b>Total assets</b>	<b><u>\$114,202</u></b>	<b><u>\$0</u></b>	<b><u>\$74,291</u></b>
<b><u>LIABILITIES</u></b>			
Accounts, salaries and contracts payable	\$0	\$0	\$88,873
Due to other governmental units	0	0	0
Interfund advance payable	0	0	0
Deferred revenue	6,364	0	0
<b>Total liabilities</b>	<b><u>6,364</u></b>	<b><u>0</u></b>	<b><u>88,873</u></b>
<b><u>FUND BALANCES</u></b>			
Reserved for debt retirement	0	0	0
Unreserved, designated for:			
Future projects	0	0	0
Unreserved, undesignated for:			
Special revenue funds	0	0	0
Debt service funds	0	0	0
Capital project funds	107,838	0	(14,582)
<b>Total fund balances</b>	<b><u>107,838</u></b>	<b><u>0</u></b>	<b><u>(14,582)</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$114,202</u></b>	<b><u>\$0</u></b>	<b><u>\$74,291</u></b>

<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
\$308,117	\$1,461,148
1,069,868	5,073,501
0	42,056
35,116	55,072
9,767	16,094
1,832	36,890
4,532	2,117,222
21	15,392
614,942	617,111
<b><u>\$2,044,195</u></b>	<b><u>\$9,434,486</u></b>
\$265,142	\$380,691
0	35
403,216	447,716
604,541	2,772,244
<b><u>1,272,899</u></b>	<b><u>3,600,686</u></b>
0	4,727,025
1,098,260	1,193,844
0	(44,169)
0	284,064
(326,964)	(326,964)
<b><u>771,296</u></b>	<b><u>5,833,800</u></b>
<b><u>\$2,044,195</u></b>	<b><u>\$9,434,486</u></b>

City of South St. Paul, Minnesota  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2005

Special Revenue

	<u>Donations/ Grants</u>	<u>Library</u>	<u>Wakota Arena</u>	<u>Central Square</u>	<u>Total</u>
<b>REVENUES</b>					
General property taxes	\$0	\$555,872	\$0	\$0	\$555,872
Intergovernmental	36,369	0	0	0	36,369
Charges for services	0	4,582	741,305	169,415	915,302
Fines and forfeits	0	8,315	0	0	8,315
Special assessments	0	0	0	0	0
Investment earnings	4,393	0	0	0	4,393
Contributions and donations	20,774	268	1,000	5,000	27,042
Miscellaneous	6,469	968	0	0	7,437
<b>Total revenues</b>	<b>68,005</b>	<b>570,005</b>	<b>742,305</b>	<b>174,415</b>	<b>1,554,730</b>
<b>EXPENDITURES</b>					
Current:					
General government	5,133	0	0	0	5,133
Public safety	48,177	0	0	0	48,177
Public works	0	0	0	0	0
Parks, Arena, Library	5,331	571,225	657,201	146,552	1,380,309
Transportation	0	0	0	0	0
Nondepartmental	0	0	0	0	0
Development and other costs	0	0	0	0	0
Capital outlay:					
General government	0	0	0	0	0
Transportation	0	0	0	0	0
Interest expenditure	0	0	1,683	0	1,683
Debt service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Bond issuance costs	0	0	0	0	0
<b>Total expenditures</b>	<b>58,641</b>	<b>571,225</b>	<b>658,884</b>	<b>146,552</b>	<b>1,435,302</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>9,364</b>	<b>(1,220)</b>	<b>83,421</b>	<b>27,863</b>	<b>119,428</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	0	1,220	382,907	0	384,127
Transfers out	(42,511)	0	(202,778)	0	(245,289)
Bonds issued	0	0	0	0	0
Sale of capital assets	0	0	0	0	0
<b>Total other financing sources (uses)</b>	<b>(42,511)</b>	<b>1,220</b>	<b>180,129</b>	<b>0</b>	<b>138,838</b>
<b>Net change in fund balances</b>	<b>(33,147)</b>	<b>0</b>	<b>263,550</b>	<b>27,863</b>	<b>258,266</b>
Fund balance (deficit) - January 1	128,731	0	(335,582)	0	(206,851)
<b>Fund balance (deficit) - December 31</b>	<b>\$95,584</b>	<b>\$0</b>	<b>(\$72,032)</b>	<b>\$27,863</b>	<b>\$51,415</b>

<b>Debt Service</b>				
<b>Tax Increment</b>	<b>General Purpose Financing</b>			
<b>1993B Refunding Bonds</b>	<b>2004A Refunding Bonds</b>	<b>1995B Refunding Park Bonds</b>	<b>2000 General Oblig. Bonds</b>	<b>2003B Arena Revenue Bonds</b>
\$0	\$0	\$99,504	\$211,668	\$0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	5,040	3,348	0
0	0	0	0	0
0	0	0	0	0
<b>0</b>	<b>0</b>	<b>104,544</b>	<b>215,016</b>	<b>0</b>
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
310,000	0	70,000	85,000	100,000
7,750	70,290	22,208	111,840	57,777
0	0	0	0	0
<b>317,750</b>	<b>70,290</b>	<b>92,208</b>	<b>196,840</b>	<b>157,777</b>
<b>(317,750)</b>	<b>(70,290)</b>	<b>12,336</b>	<b>18,176</b>	<b>(157,777)</b>
317,750	70,290	0	0	157,777
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<b>317,750</b>	<b>70,290</b>	<b>0</b>	<b>0</b>	<b>157,777</b>
0	0	12,336	18,176	0
0	0	197,188	183,249	0
<b>\$0</b>	<b>\$0</b>	<b>\$209,524</b>	<b>\$201,425</b>	<b>\$0</b>

City of South St. Paul, Minnesota  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2005

	<b>Debt Service</b>			
	<b>Special Assessment Financing</b>			
	1993	1994	1995A	1997B
	Improvement Bonds	Improvement Bonds	Improvement Bonds	Improvement Bonds
<b>REVENUES</b>				
General property taxes	\$1	\$62,720	\$0	\$0
Intergovernmental	0	0	0	0
Charges for services	0	0	0	0
Fines and forfeits	0	0	0	0
Special assessments	0	8,990	0	107,977
Investment earnings	10,565	1,151	0	27,666
Contributions and donations	0	0	0	0
Miscellaneous	0	0	0	0
<b>Total revenues</b>	<b>10,566</b>	<b>72,861</b>	<b>0</b>	<b>135,643</b>
<b>EXPENDITURES</b>				
Current:				
General government	0	0	0	0
Public safety	0	0	0	0
Public works	0	0	0	0
Parks, Arena, Library	0	0	0	0
Transportation	0	0	0	0
Nondepartmental	0	0	0	0
Development and other costs	0	0	0	0
Capital outlay:				
General government	0	0	0	0
Transportation	0	0	0	0
Interest expenditure	0	0	0	0
Debt service:				
Principal	315,000	125,000	120,000	175,000
Interest	8,169	17,578	2,960	33,856
Bond issuance and underwriter discount	0	0	0	0
<b>Total expenditures</b>	<b>323,169</b>	<b>142,578</b>	<b>122,960</b>	<b>208,856</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(312,603)</b>	<b>(69,717)</b>	<b>(122,960)</b>	<b>(73,213)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	0	0	0	0
Transfers out	(1,259,617)	0	(189,276)	0
Bonds issued	0	0	0	0
Sale of capital assets	0	0	0	0
<b>Total other financing sources (uses)</b>	<b>(1,259,617)</b>	<b>0</b>	<b>(189,276)</b>	<b>0</b>
<b>Net change in fund balances</b>	<b>(1,572,220)</b>	<b>(69,717)</b>	<b>(312,236)</b>	<b>(73,213)</b>
Fund balance (deficit) - January 1	1,572,220	138,089	312,236	979,698
<b>Fund balance (deficit) - December 31</b>	<b>\$0</b>	<b>\$68,372</b>	<b>\$0</b>	<b>\$906,485</b>

1998 Improvement Bonds	1998B Improvement Bonds	1999 Improvement Bonds	2000B Improvement Bonds
\$0	\$0	\$0	\$0
0	0	0	0
0	0	0	0
0	0	0	0
34,910	51,975	48,106	62,600
9,096	7,952	9,431	18,876
0	0	0	0
0	0	0	0
<u>44,006</u>	<u>59,927</u>	<u>57,537</u>	<u>81,476</u>
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
85,000	75,000	115,000	155,000
12,601	12,910	20,350	35,092
0	0	0	0
<u>97,601</u>	<u>87,910</u>	<u>135,350</u>	<u>190,092</u>
<u>(53,595)</u>	<u>(27,983)</u>	<u>(77,813)</u>	<u>(108,616)</u>
0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>(53,595)</u>	<u>(27,983)</u>	<u>(77,813)</u>	<u>(108,616)</u>
347,365	299,031	385,940	711,732
<u>\$293,770</u>	<u>\$271,048</u>	<u>\$308,127</u>	<u>\$603,116</u>

City of South St. Paul, Minnesota  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2005

	<b>Debt Service</b>			
	<b>Special Assessment Financing</b>			
	2001	2002	2003A	2005A
	<b>Improvement Bonds</b>	<b>Improvement Bonds</b>	<b>Improvement Bonds</b>	<b>Improvement Bonds</b>
<b>REVENUES</b>				
General property taxes	\$0	\$0	\$0	\$0
Intergovernmental	0	0	0	0
Charges for services	0	0	0	0
Fines and forfeits	0	0	0	0
Special assessments	80,421	68,465	116,351	141,783
Investment earnings	11,457	9,552	20,263	12,738
Contributions and donations	0	0	0	0
Miscellaneous	0	0	0	0
<b>Total revenues</b>	<b>91,878</b>	<b>78,017</b>	<b>136,614</b>	<b>154,521</b>
<b>EXPENDITURES</b>				
Current:				
General government	0	0	0	0
Public safety	0	0	0	0
Public works	0	0	0	0
Parks, Arena, Library	0	0	0	0
Transportation	0	0	0	0
Nondepartmental	0	0	0	0
Development and other costs	0	0	0	0
Capital outlay:				
General government	0	0	0	0
Transportation	0	0	0	0
Interest expenditure	0	0	0	0
Debt service:				
Principal	100,000	70,000	105,000	0
Interest	24,227	15,562	32,765	15,672
Bond issuance and underwriter discount	0	0	0	0
<b>Total expenditures</b>	<b>124,227</b>	<b>85,562</b>	<b>137,765</b>	<b>15,672</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(32,349)</b>	<b>(7,545)</b>	<b>(1,151)</b>	<b>138,849</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	0	0	0	97,197
Transfers out	0	0	0	0
Bonds issued	0	0	0	1,527
Sale of capital assets	0	0	0	0
<b>Total other financing sources (uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>98,724</b>
<b>Net change in fund balances</b>	<b>(32,349)</b>	<b>(7,545)</b>	<b>(1,151)</b>	<b>237,573</b>
Fund balance (deficit) - January 1	423,698	336,855	684,555	336,514
<b>Fund balance (deficit) - December 31</b>	<b>\$391,349</b>	<b>\$329,310</b>	<b>\$683,404</b>	<b>\$574,087</b>

<b>Capital Projects</b>				
<b>2005B Improvement Bonds</b>	<b>Total</b>	<b>Municipal State Aid</b>	<b>Airport Improvements</b>	<b>Floodwall Construction</b>
\$0	\$373,893	\$0	\$0	\$0
0	0	0	315,369	0
0	0	0	0	0
0	0	0	0	0
169,919	891,497	0	0	0
1,153	148,288	271	0	6,814
0	0	0	0	0
0	0	0	0	0
<b>171,072</b>	<b>1,413,678</b>	<b>271</b>	<b>315,369</b>	<b>6,814</b>
0	0	500	0	0
0	0	0	0	0
0	0	0	0	5,432
0	0	0	0	0
0	0	0	3,190	0
0	0	0	0	0
0	0	0	0	0
0	0	0	723,379	0
0	0	0	0	0
0	2,005,000	0	0	0
0	501,607	0	0	0
0	0	0	0	0
<b>0</b>	<b>2,506,607</b>	<b>500</b>	<b>726,569</b>	<b>5,432</b>
<b>171,072</b>	<b>(1,092,929)</b>	<b>(229)</b>	<b>(411,200)</b>	<b>1,382</b>
0	643,014	0	0	0
0	(1,448,893)	0	0	0
0	1,527	0	0	0
0	0	0	0	0
<b>0</b>	<b>(804,352)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>171,072</b>	<b>(1,897,281)</b>	<b>(229)</b>	<b>(411,200)</b>	<b>1,382</b>
0	6,908,370	8,440	(9,020)	205,400
<b>\$171,072</b>	<b>\$5,011,089</b>	<b>\$8,211</b>	<b>(\$420,220)</b>	<b>\$206,782</b>

City of South St. Paul, Minnesota  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the Year Ended December 31, 2005

<b>Capital Projects</b>				
	<b>City Hall Renovation</b>	<b>Tax Increment</b>	<b>Equipment Acquisition</b>	<b>Regional Trail</b>
<b>REVENUES</b>				
General property taxes	\$0	\$1,294,075	\$0	\$0
Intergovernmental	0	6,716	0	720,700
Charges for services	0	0	0	0
Fines and forfeits	0	0	0	0
Special assessments	0	0	0	0
Investment earnings	0	11,685	10,811	0
Contributions and donations	0	0	0	0
Miscellaneous	0	0	0	0
<b>Total revenues</b>	<b>0</b>	<b>1,312,476</b>	<b>10,811</b>	<b>720,700</b>
<b>EXPENDITURES</b>				
Current:				
General government	0	0	0	0
Public safety	0	0	0	0
Public works	0	0	0	0
Parks, Arena, Library	0	0	0	0
Transportation	0	0	0	0
Nondepartmental	0	56,316	17,222	0
Development and other costs	0	209,072	0	0
Capital outlay:				
General government	172,251	0	0	0
Transportation	0	0	0	0
Interest expenditure	0	0	0	4,325
Debt service:				
Principal	0	0	0	0
Interest	0	0	0	0
Bond issuance and underwriter discount	0	0	0	0
<b>Total expenditures</b>	<b>172,251</b>	<b>265,388</b>	<b>17,222</b>	<b>4,325</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(172,251)</b>	<b>1,047,088</b>	<b>(6,411)</b>	<b>716,375</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	172,251		55,200	14,535
Transfers out	0	(1,124,202)	0	0
Bonds issued	0	0	0	0
Sale of capital assets	0	0	0	0
<b>Total other financing sources (uses)</b>	<b>172,251</b>	<b>(1,124,202)</b>	<b>55,200</b>	<b>14,535</b>
<b>Net change in fund balances</b>	<b>0</b>	<b>(77,114)</b>	<b>48,789</b>	<b>730,910</b>
Fund balance (deficit) - January 1	0	606,665	304,927	(730,910)
<b>Fund balance (deficit) - December 31</b>	<b>\$0</b>	<b>\$529,551</b>	<b>\$353,716</b>	<b>\$0</b>

Wilson Site Development	Southview/52 Development	Local Improvement	2004 Local Improvement	2005 Local Improvement	Total	Total Nonmajor Governmental Funds
\$0	\$0	\$0	\$0	\$0	\$1,294,075	\$2,223,840
0	0	0	0	483,571	1,526,356	1,562,725
0	0	0	0	0	0	915,302
0	0	0	0	0	0	8,315
0	0	12,809	0	0	12,809	904,306
22,600	852	3,631	2,589	0	59,253	211,934
0	0	0	0	0	0	27,042
0	0	0	0	0	0	7,437
<b>22,600</b>	<b>852</b>	<b>16,440</b>	<b>2,589</b>	<b>483,571</b>	<b>2,892,493</b>	<b>5,860,901</b>
0	0	200	2,500	0	3,200	8,333
0	0	0	0	0	0	48,177
0	0	0	53,228	1,173,294	1,231,954	1,231,954
0	0	0	0	0	0	1,380,309
0	0	0	0	0	3,190	3,190
200,000	0	0	0	0	273,538	273,538
76,893	0	0	0	0	285,965	285,965
0	0	0	0	0	172,251	172,251
0	0	0	0	0	723,379	723,379
0	0	0	0	6,562	10,887	12,570
0	0	0	0	0	0	2,005,000
0	0	0	0	0	0	501,607
0	0	0	5,833	23,626	29,459	29,459
<b>276,893</b>	<b>0</b>	<b>200</b>	<b>61,561</b>	<b>1,203,482</b>	<b>2,733,823</b>	<b>6,675,732</b>
<b>(254,293)</b>	<b>852</b>	<b>16,240</b>	<b>(58,972)</b>	<b>(719,911)</b>	<b>158,670</b>	<b>(814,831)</b>
0	0	0	20,414	124,812	387,212	1,414,353
(646,608)	(155,652)	(157,000)	(97,197)	0	(2,180,659)	(3,874,841)
0	0	0	918,473	590,000	1,508,473	1,510,000
0	159,217	0	0	0	159,217	159,217
<b>(646,608)</b>	<b>3,565</b>	<b>(157,000)</b>	<b>841,690</b>	<b>714,812</b>	<b>(125,757)</b>	<b>(791,271)</b>
<b>(900,901)</b>	<b>4,417</b>	<b>(140,760)</b>	<b>782,718</b>	<b>(5,099)</b>	<b>32,913</b>	<b>(1,606,102)</b>
900,901	(4,417)	248,598	(782,718)	(9,483)	738,383	7,439,902
<b>\$0</b>	<b>\$0</b>	<b>\$107,838</b>	<b>\$0</b>	<b>(\$14,582)</b>	<b>\$771,296</b>	<b>\$5,833,800</b>

**LIBRARY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**BUDGET AND ACTUAL**

For the Year Ended December 31, 2005

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
General property taxes:				
Current	\$551,277	\$551,277	\$545,980	(\$5,297)
Delinquent	0	0	9,892	9,892
Total general property taxes	<u>551,277</u>	<u>551,277</u>	<u>555,872</u>	<u>4,595</u>
Rental fees	3,000	3,000	4,582	1,582
Fines	13,000	13,000	8,315	(4,685)
Donations/Other	500	500	1,236	736
<b>Total revenues</b>	<b><u>567,777</u></b>	<b><u>567,777</u></b>	<b><u>570,005</u></b>	<b><u>2,228</u></b>
<b><u>EXPENDITURES</u></b>				
General government:				
Personal services	422,989	433,989	439,082	(5,093)
Materials and supplies	77,600	77,600	77,815	(215)
Services and other charges	67,188	56,188	54,328	1,860
<b>Total expenditures</b>	<b><u>567,777</u></b>	<b><u>567,777</u></b>	<b><u>571,225</u></b>	<b><u>(3,448)</u></b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>(1,220)</u></b>	<b><u>(1,220)</u></b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers in	0	0	1,220	1,220
<b>Total other financing sources (uses)</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>1,220</u></b>	<b><u>1,220</u></b>
<b>Net change in fund balance</b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
Fund balance - January 1	0	0	0	0
<b>Fund balance - December 31</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

**WAKOTA ARENA****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL**

For the Year Ended December 31, 2005

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services:				
Ice rentals	\$483,255	\$483,255	\$499,024	\$15,769
Ticket sales league games	96,000	96,000	39,878	(56,122)
Public/figure skating	14,000	14,000	21,585	7,585
Concessions	122,000	122,000	95,272	(26,728)
Rent of annex	62,400	62,400	62,416	16
Other	20,000	20,000	23,130	3,130
Donations and contributions	0	0	1,000	1,000
<b>Total revenues</b>	<b>797,655</b>	<b>797,655</b>	<b>742,305</b>	<b>(55,350)</b>
<b>EXPENDITURES</b>				
Parks and recreation:				
Personal services	232,026	234,415	258,643	(24,228)
Materials and supplies	102,000	102,000	109,362	(7,362)
Services and other charges	297,145	255,145	289,196	(34,051)
Interest expenditure	3,000	3,000	1,683	1,317
<b>Total expenditures</b>	<b>634,171</b>	<b>594,560</b>	<b>658,884</b>	<b>(64,324)</b>
Excess (deficiency) of revenues over (under) expenditures	<b>163,484</b>	<b>203,095</b>	<b>83,421</b>	<b>(119,674)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	382,907	382,907	382,907	0
Transfers out	(160,777)	(202,777)	(202,778)	1
<b>Total other financing sources (uses)</b>	<b>222,130</b>	<b>180,130</b>	<b>180,129</b>	<b>1</b>
<b>Net change in fund balance</b>	<b>385,614</b>	<b>383,225</b>	<b>263,550</b>	<b>(119,673)</b>
Fund balance (deficit) - January 1	(335,582)	(335,582)	(335,582)	0
<b>Fund balance (deficit) - December 31</b>	<b>\$50,032</b>	<b>\$47,643</b>	<b>(\$72,032)</b>	<b>(\$119,673)</b>

**FIDUCIARY FUNDS**

**COMBINING BALANCE SHEET AND COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**

For the Year Ended December 31, 2005

	Balance December 31, 2004	Additions	Deductions	Balance December 31, 2005
<b>HOUSING AND REDEVELOPMENT FUND</b>				
<b><u>ASSETS</u></b>				
Cash and investments	\$259,330	\$0	\$259,330	\$0
<b>Total assets</b>	<b><u>\$259,330</u></b>	<b><u>\$0</u></b>	<b><u>\$259,330</u></b>	<b><u>\$0</u></b>
<b><u>LIABILITIES</u></b>				
Due to other governmental units	\$259,330	\$0	\$259,330	\$0
<b>Total liabilities</b>	<b><u>\$259,330</u></b>	<b><u>\$0</u></b>	<b><u>\$259,330</u></b>	<b><u>\$0</u></b>
<b>LANDSCAPE/LANDFILL FUND</b>				
<b><u>ASSETS</u></b>				
Cash and investments	\$90,948	\$3,044	\$0	\$93,992
<b>Total assets</b>	<b><u>\$90,948</u></b>	<b><u>\$3,044</u></b>	<b><u>\$0</u></b>	<b><u>\$93,992</u></b>
<b><u>LIABILITIES</u></b>				
Deposits payable	\$90,948	\$3,044	\$0	\$93,992
<b>Total liabilities</b>	<b><u>\$90,948</u></b>	<b><u>\$3,044</u></b>	<b><u>\$0</u></b>	<b><u>\$93,992</u></b>
<b>TOTAL FIDUCIARY FUNDS</b>				
<b><u>ASSETS</u></b>				
Cash and investments	\$350,278	\$3,044	\$259,330	\$93,992
<b>Total assets</b>	<b><u>\$350,278</u></b>	<b><u>\$3,044</u></b>	<b><u>\$259,330</u></b>	<b><u>\$93,992</u></b>
<b><u>LIABILITIES</u></b>				
Due to other governmental units	\$259,330	\$0	\$259,330	\$0
Deposits payable	90,948	3,044	0	93,992
<b>Total liabilities</b>	<b><u>\$350,278</u></b>	<b><u>\$3,044</u></b>	<b><u>\$259,330</u></b>	<b><u>\$93,992</u></b>

## **SUPPLEMENTARY FINANCIAL DATA**

Supplementary Financial Data, although not required by GAAP, are intended to augment the readers understanding of information presented in the financial section dealing with bonded indebtedness, cash/investments, and property tax levies. The schedules listed below are provided as non-required supplementary financial data for the year ended December 31, 2005.

**Schedule of Cash and Investments**

**Combined Schedule of Indebtedness**

**Schedule of Debt Service Payments to Maturity**

**Schedule of Deferred Tax Levies**

**This page intentionally left blank.**

City of South St. Paul, Minnesota  
**SCHEDULE OF CASH AND INVESTMENTS**  
December 31, 2005

		Yield	Settlement Date	Maturity Date	Market Value
Certificate of Deposit - Bremer Bank	Cert. of Dep.	4.00%	23-Jan-05	23-Jul-06	\$100,000
Federal Home Loan Bank Cons	Agency	4.79%	26-Jul-05	26-Jan-07	252,929
Federal Home Loan Bank Cons	Agency	4.77%	26-Jul-05	26-Oct-07	242,780
Federal Home Loan Note Step Up	Agency	3.10%	16-Jul-03	16-Jul-12	971,100
Federal National Mortgage Association Medium Term Notes	Agency	6.02%	06-Dec-05	06-Dec-12	199,750
Federal Home Loan Note Step Up	Agency	4.00%	21-May-03	21-May-13	295,980
Federal Home Loan Note Step Up	Agency	4.00%	22-May-03	22-May-13	195,580
Federal Home Loan Mortgage Corp Medium Term Note	Agency	5.17%	24-Jul-03	09-Jul-13	193,316
Federal Home Loan Mortgage Corp Medium Term Note	Agency	4.96%	23-Jul-03	23-Jul-13	382,192
Federal Home Loan Mortgage Corp Medium Term Note	Agency	4.91%	30-Jun-03	30-Dec-13	282,042
Federal Home Loan Mortgage Corp Step Up Freddie Note	Agency	4.22%	08-Jan-04	15-Jan-14	393,928
Federal Home Loan Mortgage Corp	Agency	5.25%	22-Dec-04	27-Jan-14	295,188
Federal National Mortgage Assn Medium Term Note	Agency	5.12%	16-Jul-03	12-Mar-14	287,718
Federal Home Loan Mortgage Corp Med Term Note	Agency	5.32%	29-Apr-04	29-Apr-14	195,688
Freddie Mac Note Step Up	Agency	4.00%	27-Jan-05	27-Jan-15	298,950
Federal Home Loan Mortgage Corp Med Term Note	Agency	5.27%	10-Mar-04	10-Mar-15	284,270
Federal Home Loan Note Step Up	Agency	4.36%	05-Jun-03	05-Jun-15	484,700
Fannie Mae Note	Agency	6.00%	21-Dec-05	17-Nov-15	499,450
Freddie Mac Medium Term Note	Agency	6.00%	21-Nov-05	20-Nov-15	301,770
Federal Home Loan Note	Agency	6.00%	22-Dec-05	22-Dec-15	1,002,000
Federal Home Loan Bank Cons	Agency	5.66%	28-Jun-05	28-Jun-17	978,440
Federal Home Loan Note	Agency	5.55%	05-Jul-05	05-Jul-17	491,850
Bank Hapoalim B.M. CD	Cert. of Dep.	6.13%	14-Aug-02	14-Aug-17	94,963
Federal Home Loan Note	Agency	5.05%	30-Apr-03	30-Apr-18	388,600
Federal Home Loan Note	Agency	5.55%	01-May-03	01-May-18	196,760
Federal Home Loan Note Step Up	Agency	5.02%	21-May-03	21-May-18	487,000
Federal Home Loan Note Step Up	Agency	5.28%	05-Jun-03	05-Jun-18	191,360
Fannie Mae Note	Agency	5.02%	24-Jun-03	24-Jun-18	479,600
Federal Home Loan Mortgage Corp Medium Term Note Step Up	Agency	4.54%	25-Jun-03	25-Jun-18	237,188
Federal Home Loan Note Step Up	Agency	4.41%	26-Jun-03	26-Jun-18	472,900
Federal National Mortgage Association Medium Term Note	Agency	5.49%	02-Jul-03	02-Jul-18	348,918
Federal Home Loan Note Step Up	Agency	5.36%	30-Jul-03	30-Jul-18	289,320
Federal Home Loan Mortgage Corp Medium Term Note	Agency	5.41%	30-Jul-03	30-Jul-18	481,400
Federal Home Loan Note Step Up	Agency	4.00%	06-Aug-03	06-Aug-18	292,530
Federal Home Loan Mortgage Corp Med Term Note	Agency	5.16%	17-Dec-03	17-Dec-18	394,172
Federal Home Loan Mortgage Corp Med Term Step Up Note	Agency	4.87%	29-Mar-04	29-Mar-19	482,265
Freddie Mac Note Step UP Series Mtn	Agency	5.00%	29-Jul-04	29-Jul-19	294,900
Federal National Mortgage Association Medium Term Bonds	Agency	5.82%	22-Nov-04	22-Nov-19	97,000
Fannie Mae Note	Agency	5.91%	10-Aug-05	10-Aug-20	1,478,250
Federal National Mtg Assn Med Term Note	Agency	6.15%	18-Aug-05	18-Aug-20	492,815
Fannie Mae Note	Agency	6.00%	20-Oct-05	20-Oct-20	198,500
Money Manager Savings Account		3.60%			137,490
Treasury Plus Money Market Fund	Agency	3.46%			4,067,030
Cash on Hand and in Checking Accounts		n/a			410,826
					<u>\$20,643,408</u>

City of South St. Paul, Minnesota  
**COMBINED SCHEDULE OF INDEBTEDNESS**  
 December 31, 2005

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Original Interest Rates</u>
<b>Bonded Indebtedness:</b>			
Tax Increment Bonds:			
G.O. Refunding Bonds, Series 1993B	06/29/93	02/01/05	3.75 - 5.00%
G.O. Refunding Bonds of 1996	12/19/96	02/01/09	4.35 - 5.00
G.O. Refunding Bonds, Series 2004A	12/28/04	08/01/09	2.75
Total tax increment bonds			
General Long-Term Debt Bonds:			
G.O. Refunding Park Bonds, Series 1995B	12/28/95	02/01/10	3.90 - 5.35
G.O. Bonds of 2000	10/19/00	02/01/21	4.75 - 5.50
Total general long-term debt bonds			
Special Assessment Bonds:			
With Governmental Commitment:			
Improvement Bonds of 1993	06/29/93	02/01/09	3.75 - 5.37
Improvement Bonds of 1994	06/16/94	02/01/10	5.00 - 5.40
Improvement Bonds, Series 1995A	12/18/95	02/01/08	4.10 - 5.10
Improvement Bonds, Series 1997B	02/12/97	02/01/08	3.85 - 5.00
Improvement Bonds of 1998	02/01/98	02/01/08	3.65 - 4.30
Improvement Bonds, Series 1998B	12/29/98	02/01/09	3.40 - 4.20
Improvement Bonds of 1999	12/01/99	02/01/10	4.10 - 5.00
Improvement Bonds, Series 2000B	12/28/00	02/01/11	4.35 - 4.85
Improvement Bonds, Series 2001	12/26/01	02/01/12	2.00 - 4.50
Improvement Bonds, Series 2002	12/16/02	02/01/13	1.90 - 4.00
Improvement Bonds, Series 2003A	12/23/03	02/01/14	2.00 - 3.70
Improvement Bonds, Series 2005A	01/05/05	02/01/15	2.15 - 3.70
Improvement Bonds, Series 2005B	12/27/05	02/01/16	3.30 - 4.15
Total special assessment bonds			
Revenue Bonds:			
With Governmental Commitment:			
Arena Refunding Bonds, Series 2003B	12/23/03	02/01/18	2.00 - 4.15
Total revenue bonds			
<b>Total Bonded Indebtedness</b>			

<u>Previously Authorized and Issued</u>	<u>Issued 2005</u>	<u>Retired 2005 and Prior</u>	<u>Outstanding 12/31/05</u>
\$4,045,000	\$0	\$4,045,000	\$0
5,230,000	0	5,230,000	0
4,320,000	0	0	4,320,000
<u>13,595,000</u>	<u>0</u>	<u>9,275,000</u>	<u>4,320,000</u>
890,000	0	490,000	400,000
2,375,000	0	285,000	2,090,000
<u>3,265,000</u>	<u>0</u>	<u>775,000</u>	<u>2,490,000</u>
2,235,000	0	2,235,000	0
1,525,000	0	1,260,000	265,000
370,000	0	370,000	0
1,800,000	0	1,200,000	600,000
835,000	0	580,000	255,000
910,000	0	630,000	280,000
935,000	0	570,000	365,000
1,295,000	0	620,000	675,000
860,000	0	300,000	560,000
600,000	0	140,000	460,000
1,150,000	0	105,000	1,045,000
0	920,000	0	920,000
0	590,000	0	590,000
<u>12,515,000</u>	<u>1,510,000</u>	<u>8,010,000</u>	<u>6,015,000</u>
1,770,000	0	100,000	1,670,000
<u>1,770,000</u>	<u>0</u>	<u>100,000</u>	<u>1,670,000</u>
<b><u>\$31,145,000</u></b>	<b><u>\$1,510,000</u></b>	<b><u>\$18,160,000</u></b>	<b><u>\$14,495,000</u></b>

City of South St. Paul, Minnesota  
**SCHEDULE OF DEBT SERVICE PAYMENTS TO MATURITY**  
 December 31, 2005

<b>General Long Term Financing</b>						
	<b>Refunding Park Bonds 1995B</b>		<b>G. O. Bonds 2000</b>		<b>Total General Long Term</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2006	\$75,000	\$18,690	\$90,000	\$107,465	\$165,000	\$126,155
2007	75,000	14,977	95,000	102,840	170,000	117,817
2008	75,000	11,190	95,000	98,090	170,000	109,280
2009	85,000	7,046	100,000	93,215	185,000	100,261
2010	90,000	2,408	105,000	88,090	195,000	90,498
2011	0	0	110,000	82,715	110,000	82,715
2012	0	0	120,000	76,965	120,000	76,965
2013	0	0	125,000	70,777	125,000	70,777
2014	0	0	130,000	64,242	130,000	64,242
2015	0	0	135,000	57,351	135,000	57,351
2016	0	0	145,000	49,929	145,000	49,929
2017	0	0	150,000	42,000	150,000	42,000
2018	0	0	160,000	33,550	160,000	33,550
2019	0	0	170,000	24,475	170,000	24,475
2020	0	0	175,000	14,988	175,000	14,988
2021	0	0	185,000	5,088	185,000	5,088
	<b>\$400,000</b>	<b>\$54,311</b>	<b>\$2,090,000</b>	<b>\$1,011,780</b>	<b>\$2,490,000</b>	<b>\$1,066,091</b>



City of South St. Paul, Minnesota  
**SCHEDULE OF DEBT SERVICE PAYMENTS TO MATURITY**  
 December 31, 2005

<b>Special Assessment Financing</b>						
	<b>Impr Bonds 1998</b>		<b>Impr Bonds 1998B</b>		<b>Impr Bonds 1999</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2006	\$85,000	\$9,053	\$70,000	\$10,010	\$75,000	\$16,000
2007	85,000	5,461	70,000	7,210	75,000	12,456
2008	85,000	1,827	70,000	4,375	75,000	8,837
2009	0	0	70,000	1,470	70,000	5,250
2010	0	0	0	0	70,000	1,750
2011	0	0	0	0	0	0
2012	0	0	0	0	0	0
2013	0	0	0	0	0	0
2014	0	0	0	0	0	0
2015	0	0	0	0	0	0
2016	0	0	0	0	0	0
2017	0	0	0	0	0	0
2018	0	0	0	0	0	0
2019	0	0	0	0	0	0
2020	0	0	0	0	0	0
2021	0	0	0	0	0	0
	<b>\$255,000</b>	<b>\$16,341</b>	<b>\$280,000</b>	<b>\$23,065</b>	<b>\$365,000</b>	<b>\$44,293</b>



City of South St. Paul, Minnesota  
**SCHEDULE OF DEBT SERVICE PAYMENTS TO MATURITY**  
 December 31, 2005

**Special Assessment Financing**

	Impr Bonds 2003A		Impr Bonds 2005A		Impr Bonds 2005B	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$105,000	\$30,665	\$105,000	\$26,259	\$0	\$12,919
2007	115,000	28,178	105,000	23,844	75,000	20,495
2008	115,000	25,302	100,000	21,257	75,000	17,983
2009	115,000	22,140	95,000	18,628	75,000	15,395
2010	110,000	18,627	100,000	15,797	75,000	12,732
2011	110,000	15,053	85,000	12,959	65,000	10,180
2012	120,000	11,225	85,000	10,196	45,000	8,123
2013	125,000	6,997	85,000	7,306	45,000	6,390
2014	130,000	2,405	80,000	4,400	45,000	4,612
2015	0	0	80,000	1,480	45,000	2,790
2016	0	0	0	0	45,000	934
2017	0	0	0	0	0	0
2018	0	0	0	0	0	0
2019	0	0	0	0	0	0
2020	0	0	0	0	0	0
2021	0	0	0	0	0	0
	<b>\$1,045,000</b>	<b>\$160,592</b>	<b>\$920,000</b>	<b>\$142,126</b>	<b>\$590,000</b>	<b>\$112,553</b>

<u>Special Assessment Total</u>		<u>G. O. Revenue Bonds</u>			
<u>Total S. A. Bonds</u>		<u>Arena Refunding Bonds 2003B</u>		<u>Total All Bonds</u>	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
\$1,005,000	\$205,949	\$110,000	\$55,678	\$1,480,000	\$506,582
1,045,000	175,161	110,000	53,203	2,645,000	459,481
1,020,000	134,162	110,000	50,452	2,680,000	370,894
715,000	99,660	115,000	47,352	2,435,000	286,323
640,000	72,762	120,000	43,678	955,000	206,938
490,000	50,409	120,000	39,777	720,000	172,901
370,000	34,094	125,000	35,703	615,000	146,762
305,000	21,693	130,000	31,303	560,000	123,773
255,000	11,417	135,000	26,530	520,000	102,189
125,000	4,270	145,000	21,132	405,000	82,753
45,000	934	145,000	15,333	335,000	66,196
0	0	150,000	9,432	300,000	51,432
0	0	155,000	3,216	315,000	36,766
0	0	0	0	170,000	24,475
0	0	0	0	175,000	14,988
0	0	0	0	185,000	5,088
<b>\$6,015,000</b>	<b>\$810,511</b>	<b>\$1,670,000</b>	<b>\$432,789</b>	<b>\$14,495,000</b>	<b>\$2,657,541</b>

City of South St. Paul, Minnesota  
**SCHEDULE OF DEFERRED TAX LEVIES**  
**DEBT SERVICE FUNDS**  
 December 31, 2005  
 (Unaudited)

<u>Year of Tax Levy/ Collection</u>	<b>WITH SPECIAL ASSESSMENTS</b>		<b>GENERAL PURPOSE</b>	
	<u>PLEDGED</u>			
	<u>1994A Improvement Bonds</u>	<u>1995B G.O. Refunding Park Bonds</u>	<u>2000 General Obligation Bonds</u>	<u>Total All Funds</u>
2005/06	\$65,000	\$100,400	\$210,200	\$375,600
2006/07	67,400	96,500	205,200	369,100
2007/08	64,300	92,600	205,500	362,400
2008/09	66,500	99,000	205,500	371,000
2009/10	0	0	205,200	205,200
2010/11	0	0	210,000	210,000
2011/12	0	0	208,900	208,900
2012/13	0	0	207,500	207,500
2013/14	0	0	205,700	205,700
2014/15	0	0	208,700	208,700
2015/16	0	0	205,900	205,900
2016/17	0	0	207,800	207,800
2017/18	0	0	209,100	209,100
2018/19	0	0	204,500	204,500
2019/20	0	0	204,900	204,900
<b>Totals</b>	<b>\$263,200</b>	<b>\$388,500</b>	<b>\$3,104,600</b>	<b>\$3,756,300</b>

## STATISTICAL SECTION

The following Statistical Section consists of 14 tables covering a broad range of additional information about the City. The focus of nine of the tables is historical in nature listing financial data for the ten-year period 1996-2005. The other four tables provide 2005 data related to debt, principal taxpayers, permits and miscellaneous data.

The Statistical Section is intended to assist the reader by providing data, statistics and other information supporting the following categories:

- <> Financial Trend Data
- <> Revenue Capacity Data
- <> Debt Capacity Data
- <> Demographic and Economic Information
- <> Operating Information

The reader may find that the narrative information provided in the Letter of Transmittal and the Management Discussion and Analysis may help in the understanding of the Statistical Section. As one example, it may be helpful to view the history of permits and property values (Table 13) in light of the recent history of the City and its economic outlook discussed in the aforementioned narrative sections.

The State of Minnesota has made a number of changes in the formula which defines the "property tax base" for Minnesota cities. Accordingly, the reader is alerted to this anomalous data in Tables 4, 5, and 7 when trying to establish any meaningful trends from historical property tax base ("assessed valuation") information. The source of data presented in the statistical section is the City financial statements and other records unless otherwise noted.

**GENERAL GOVERNMENTAL EXPENDITURES AND TRANSFERS BY FUNCTION (1)**

Last Ten Fiscal Years  
(Unaudited)

Year	General Government	Public Safety	Public Works	Parks, Arena and Library	Transportation	Debt Service	Development and Other	Operating Transfers	Total
1996	\$1,249,149	\$4,507,224	\$4,082,398	\$1,853,783	\$474,719	\$8,185,426	\$831,504	\$2,087,989	\$23,272,192
1997	1,135,728	4,492,344	2,945,846	4,927,866	1,145,842	1,969,774	3,309,865	2,863,959	22,791,224
1998	1,411,068	4,351,945	3,125,611	2,375,191	626,030	2,203,968	284,064	2,806,107	17,183,984
1999	1,376,666	4,665,747	4,220,880	2,961,122	553,751	2,123,927	688,213	2,789,911	19,380,217
2000	1,418,973	4,791,781	3,514,102	3,856,423	799,543	2,238,324	3,489,136	2,931,055	23,039,337
2001	1,483,135	4,912,037	3,735,151	2,621,312	864,008	2,582,413	215,396	2,814,132	19,227,584
2002	1,365,467	4,998,609	4,045,787	2,572,997	1,851,201	2,676,908	118,665	3,341,053	20,970,687
2003	1,330,064	4,968,723	5,261,625	2,255,480	1,183,002	2,897,657	910,838	2,497,763	21,305,152
2004	1,595,721	5,223,050	2,885,575	2,471,765	793,125	4,532,564	793,173	2,230,501	20,525,474
2005	1,678,976	5,185,484	2,919,555	2,404,747	1,504,944	7,530,910	612,497	4,263,273	26,100,386

**LOCAL GOVERNMENTAL REVENUES AND TRANSFERS (1)**  
 (in Fiscal Years  
 ended)

Year	Taxes	Licenses and Permits	Inter-governmental	Charges for Services	Fines and Forfeitures	Special Assessments	Investment Earnings	Bond Issues, Transfers and Misc.	Total
1996	\$5,354,743	\$268,846	\$4,555,206	\$1,475,985	\$87,390	\$870,087	\$515,117	\$7,432,234	\$20,559,608
1997	5,565,603	279,893	4,750,566	1,708,979	95,128	1,369,121	525,967	7,851,949	22,147,206
1998	5,441,505	290,536	4,857,350	1,884,306	82,363	1,413,059	544,926	4,810,089	19,324,134
1999	5,532,674	425,413	5,717,345	2,013,000	83,931	1,343,041	202,829	3,984,596	19,302,829
2000	5,440,049	442,666	5,818,064	2,143,345	91,903	1,549,664	927,330	7,118,508	23,531,529
2001	6,190,061	477,205	5,864,311	2,353,657	102,417	1,422,971	695,806	4,445,594	21,552,022
2002	6,279,438	488,538	7,551,051	2,019,753	102,156	1,229,735	782,750	4,187,132	22,640,553
2003	6,469,631	499,007	5,010,496	2,821,609	97,322	1,414,251	274,179	6,612,993	23,199,488
2004	6,585,732	534,477	4,398,556	2,328,097	104,175	1,163,401	567,988	8,823,739	24,506,165
2005	7,008,005	537,347	4,793,110	2,558,303	103,927	916,541	570,142	6,341,390	22,828,765

(1) Includes all Governmental Funds

Year Collectible	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections (2)	Total Tax Collections	Total Collections as Percent of Total Levy	Outstanding Delinquent Taxes	Delinquent Taxes as Percent of Current Levy
1996	\$3,291,357	\$3,264,035	99.17%	\$60,022	\$3,324,057	100.99%	\$62,068	1.89%
1997	3,436,482	3,401,443	98.98%	38,395	3,439,838	100.10%	71,766	2.09%
1998	3,541,675	3,476,018	98.15%	45,614	3,521,632	99.43%	95,055	2.68%
1999	3,541,675	3,470,164	97.98%	53,416	3,523,580	99.49%	120,521	3.40%
2000	3,541,675	3,484,243	98.38%	98,430	3,582,673	101.16%	76,440	2.16%
2001	3,822,675	3,754,931	98.23%	68,080	3,823,011	100.01%	95,311	2.49%
2002	4,415,576	4,368,305	98.93%	73,863	4,442,168	100.60%	92,885	2.10%
2003	4,466,390	4,399,932	98.51%	102,182	4,502,114	100.80%	99,140	2.22%
2004	4,687,518	4,626,772	98.70%	91,497	4,718,269	100.66%	96,848	2.07%
2005	4,972,503	4,894,980	98.44%	90,907	4,985,887	100.27%	116,202	2.34%

(1) Levy does not include tax increment district taxes received by the capital projects Tax Increment Fund.

(2) Delinquent collections include penalties, interest and forfeitures which account for total collections exceeding 100% of levy.

**ASSESSED TAX CAPACITY VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY**

Table 4

Last Ten Fiscal Years

(Unaudited)

<u>Taxes Payable</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Less Tax Increment</u>	<u>Add Net Fiscal Disparities</u>	<u>Total Assessed Value</u>	<u>Assessor's Estimated Market Value</u>	<u>Ratio of Assessed to Market Value</u>
1996	\$9,691,445	\$456,726	(\$1,416,426)	\$2,750,594	\$11,482,339	\$586,404,100	1.96%
1997	10,461,286	464,518	(1,538,143)	2,788,058	12,175,719	623,475,800	1.95%
1998	10,028,015	420,433	(1,288,607)	2,528,537	11,688,378	648,002,600	1.80%
1999	9,863,028	386,491	(1,172,180)	2,435,079	11,512,418	680,277,700	1.69%
2000	10,473,956	445,801	(1,220,719)	2,716,073	12,415,111	731,427,500	1.70%
2001	11,705,666	441,215	(1,519,303)	2,953,218	13,580,796	798,566,700	1.70%
2002 (1)	9,973,701	298,893	(1,083,756)	1,841,057	11,029,895	877,371,600	1.26%
2003	10,903,968	323,767	(1,157,993)	1,889,736	11,959,478	973,574,700	1.23%
2004	12,074,004	330,428	(1,260,803)	2,056,934	13,200,563	1,089,767,400	1.21%
2005	13,670,931	376,911	(1,383,370)	2,040,046	14,704,518	1,241,247,200	1.18%

(1) Starting in 2002, the factor converting market value to assessed tax capacity value decreased pursuant to State Law.

Source of data: Dakota County Assessor.

City of South St. Paul, Minnesota  
**PROPERTY TAX RATES (1)**  
**DIRECT AND ALL OVERLAPPING GOVERNMENTS**  
 Last Ten Fiscal Years  
 (Unaudited)

Table 5

<u>Taxes Payable</u>	<u>City</u>	<u>County</u>	<u>School (2)</u>	<u>Other</u>	<u>Total</u>
1996	28.68%	24.86%	57.85%	6.08%	117.46%
1997	28.09%	23.94%	61.68%	5.99%	119.70%
1998	29.71%	25.46%	59.19%	6.84%	121.19%
1999	29.82%	26.19%	55.61%	7.55%	119.17%
2000	27.84%	24.96%	56.29%	7.20%	116.29%
2001	28.24%	23.14%	57.94%	7.18%	116.50%
2002	44.89%	30.13%	38.40%	6.27%	119.69%
2003	41.26%	29.57%	38.74%	6.27%	115.84%
2004	39.45%	27.67%	29.20%	6.00%	102.33%
2005	36.91%	25.82%	26.91%	5.90%	95.54%

(1) Tax rates are per one dollar of tax capacity.

**SPECIAL ASSESSMENT LEVIES AND COLLECTIONS: DEBT SERVICE FUNDS**

Table 6

Last Ten Fiscal Years

(Unaudited)

Year Payable	Total Levy	Collection of Current Levy	Percentage of Levy Collected	Collection of Prior Years' Levy	Total Collections	Percentage Total Collections to Levy (1)
1996	\$583,827	\$549,201	94.07%	\$28,700	\$577,901	98.98%
1997	654,357	604,581	92.39%	20,116	624,697	95.47%
1998	681,296	650,768	95.52%	25,291	676,059	99.23%
1999	672,519	658,753	97.95%	27,121	685,874	101.99%
2000	680,232	651,526	95.78%	31,108	682,634	100.35%
2001	704,438	675,184	95.85%	14,121	689,305	97.85%
2002	697,596	678,315	97.24%	32,890	711,205	101.95%
2003	659,468	633,612	96.08%	28,086	661,698	100.34%
2004	604,477	581,872	96.26%	25,172	607,044	100.42%
2005	565,817	544,123	96.17%	17,807	561,930	99.31%

(1) Delinquent collections include penalties and interest which account for total collections exceeding 100% of levy.

City of South St. Paul, Minnesota  
**RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND  
NET BONDED DEBT PER CAPITA**  
Last Ten Fiscal Years  
(Unaudited)

Table 7

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Less Cash in Debt Service Funds (4)	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1996	20,211	\$11,482,339	\$1,015,000	\$93,822	\$921,178	8.02%	\$45.58
1997	20,284	\$12,175,719	\$940,000	\$114,275	\$825,725	6.78%	\$40.71
1998	20,268	\$11,688,378	\$855,000	\$67,467	\$787,533	6.74%	\$38.86
1999	20,194	\$11,512,418	\$765,000	\$129,769	\$635,231	5.52%	\$31.46
2000	20,167	\$12,415,111	\$3,090,000	\$144,277	\$2,945,723	23.73%	\$146.07
2001	20,167	\$13,580,796	\$3,035,000	\$267,508	\$2,767,492	20.38%	\$137.23
2002	20,167	\$11,029,895	\$2,935,000	\$307,193	\$2,627,807	23.82%	\$130.30
2003	20,313	\$11,959,478	\$2,790,000	\$352,751	\$2,437,249	20.38%	\$119.98
2004	20,304	\$13,200,563	\$2,645,000	\$377,910	\$2,267,090	17.17%	\$111.66
2005	20,249	\$14,704,518	\$2,490,000	\$408,833	\$2,081,167	14.15%	\$102.78

(1) Population Estimates: Federal Census 2000-2002; Metropolitan Council 1995-1999; 2003-2004

(2) Assessed value excludes tax increment and includes the effect of fiscal disparities.

(3) Gross bonded debt is general obligation debt being paid exclusively from general property taxes. Accordingly, tax increment, revenue and special assessment debt are not included.

(4) Cash includes only Debt Service Funds for the bonded debt described in footnote (3) above.

Source of valuation data: Dakota County Assessor

City of South St. Paul, Minnesota  
**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**INCLUDING DEBT RATIOS**  
 December 31, 2005  
 (Unaudited)

Table 8

	<u>Bonded Gross Debt Outstanding</u>	<u>Percentage Applicable To City</u>	<u>City Share of Debt</u>
<u>Overlapping Debt:</u>			
Dakota County	\$83,795,000	3.62%	\$3,029,189
Special School District # 6	20,020,000	100.00%	20,020,000
School District # 199	40,255,000	0.38%	152,365
Metropolitan Council	<u>201,365,000</u>	0.45%	<u>915,003</u>
Total Overlapping Debt	345,435,000		24,116,557
<u>Direct Debt</u>			
City of South St. Paul	<u>14,495,000</u>	100.00%	<u>14,495,000</u>
Total overlapping and direct debt	<u><u>\$359,930,000</u></u>		<u><u>\$38,611,557</u></u>
Ratio of debt per capita (20,249 pop.)			\$1,902
Ratio of debt to market value (see table 4)			3.54%

Source of data: Ehlers and Associates, Financial Consultants - bonded debt

Population: Metropolitan Council

City of South St. Paul, Minnesota  
**COMPUTATION OF LEGAL DEBT MARGIN**  
December 31, 2005  
(Unaudited)

Table 9

---

Market Value applicable to taxes collected in 2005	\$1,241,247,200
Applicable Debt Limit Percentage (1)	<u>2%</u>
Debt Limit	24,824,944
Less Debt Applicable to Debt Limit: (2)	
Refunding Park Bonds of 1995B	(400,000)
General Obligation Bonds of 2000	<u>(2,090,000)</u>
Legal Debt Margin	<u><u>\$22,334,944</u></u>

(1) M. S. A. 475.53

(2) M. S. A. 475.51

Source of data: Dakota County Assessor

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL  
OBLIGATION BONDED DEBT TO GENERAL EXPENDITURES**

Table 10

Last Ten Fiscal Years  
(Unaudited)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service (1)</u>	<u>Total General Expenditures and Transfers (2)</u>	<u>Percent of Debt to General Expenditures</u>
1996	\$60,000	\$65,267	\$125,267	\$23,272,192	0.54%
1997	75,000	46,280	121,280	22,791,224	0.53%
1998	85,000	42,938	127,938	17,183,984	0.74%
1999	90,000	39,157	129,157	19,380,217	0.67%
2000	50,000	36,115	86,115	23,039,337	0.37%
2001	55,000	130,557	185,557	19,227,584	0.97%
2002	100,000	153,798	253,798	20,970,687	1.21%
2003	145,000	148,103	293,103	21,305,152	1.38%
2004	145,000	141,280	286,280	20,525,474	1.39%
2005	155,000	134,047	289,047	26,100,386	1.11%

(1) Total debt service includes bond principal and interest on general obligation debt being paid exclusively from general property taxes.

(2) Includes general, special revenue, debt service and capital project funds (see Table 1).

City of South St. Paul, Minnesota  
**PRINCIPAL TAXPAYERS**  
 December 31, 2005  
 (Unaudited)

Table 11

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2005 Tax Capacity (1)</u>	<u>Percent of Total Tax Capacity</u>
Xcel Energy	Utility	\$262,398	1.87%
Blue Dog Properties Trust	Commercial holdings	161,274	1.15%
Waterous Company	Water hydrant manufacturer	128,172	0.91%
Waterford Green Limited Partnership	Apartments	103,750	0.74%
Chicago and Northwestern Trans. Co.	Railroad	91,759	0.65%
Jebco Group Inc.	Commercial	91,572	0.65%
Dakota Bulk Terminal, Inc.	Transfer facility	77,858	0.55%
Leonard Investments	Commercial	76,613	0.55%
Canal Capital Corporation	Commercial/Industrial	61,009	0.43%
Drover's Inn Association	Commercial	57,922	0.41%
	TOTAL	<u>\$1,112,327</u>	<u>7.92%</u>

**INSURANCE IN FORCE**

December 31, 2005

(Unaudited)

Table 12

<u>Coverage</u>	<u>Amount</u>
Workers' compensation	Statutory
Blanket building and property	\$40,354,722
Comprehensive liability	\$1,000,000
Public officials' liability	\$1,000,000
Loss of revenue	\$5,000,000
Crime	\$100,000
Auto liability	\$1,000,000
Auto collision/comprehensive	Actual Value
Faithful performance bond	\$1,000,000
Boiler and machinery	\$5,000,000
Airport operations liability	\$1,000,000

**CONSTRUCTION PERMITS AND PROPERTY VALUES**

Last Ten Fiscal Years

(Unaudited)

---

<u>Year</u>	<u>Number of Building Permits</u>	<u>Market Value of Building Permits</u>
1996	706	\$11,374,718
1997	755	\$13,335,335
1998	826	\$12,830,953
1999	822	\$20,616,145
2000	851	\$21,989,924
2001	1,091	\$27,112,642
2002	1,234	\$20,607,637
2003	937	\$30,267,210
2004	827	\$22,264,936
2005	763	\$22,130,284

December 31, 2005

(Unaudited)

**Miscellaneous City Statistics**

Incorporated	1887
Number of Parks	14
Acres of Parks	287
Improved Trail System	5.6 Miles
Fulltime Police	25
Fulltime Firefighters	18
Miles of Roads	116
City Water	7 Wells
Water Pumpage / yr.	1.1 Billion Gals.
Indoor Ice Arena Rinks	2
Swimming Pools	2
Utility Customers	6,700
City Owned Airport	204 Acres
City Owned Library	90,000 Books
Avg. Employee (Full-time) Service	16 Years

**Population and Housing Unit Trends**

<u>Year</u>	<u>Population</u>	<u>Housing Units</u>
1980	21,235	7,927
1990	20,197	7,914
2000	20,167	8,314
2005 Current Estimate	20,249	8,380

Population data source: U. S. Census Bureau

**Unemployment History - Dakota County and the State of Minnesota**

<u>Year</u>	<u>Dakota County</u>	<u>State of Minnesota</u>
1996	2.60%	4.00%
1997	2.00%	3.30%
1998	1.80%	2.50%
1999	1.80%	2.80%
2000	2.20%	3.30%
2001	2.80%	3.70%
2002	3.70%	4.40%
2003	4.20%	5.00%
2004	4.00%	4.40%
2005	3.20%	3.10%

Source of data: State of Minnesota, Department of Economic Security

City of South St. Paul, Minnesota

December 31, 2005

---

**This page intentionally left blank.**